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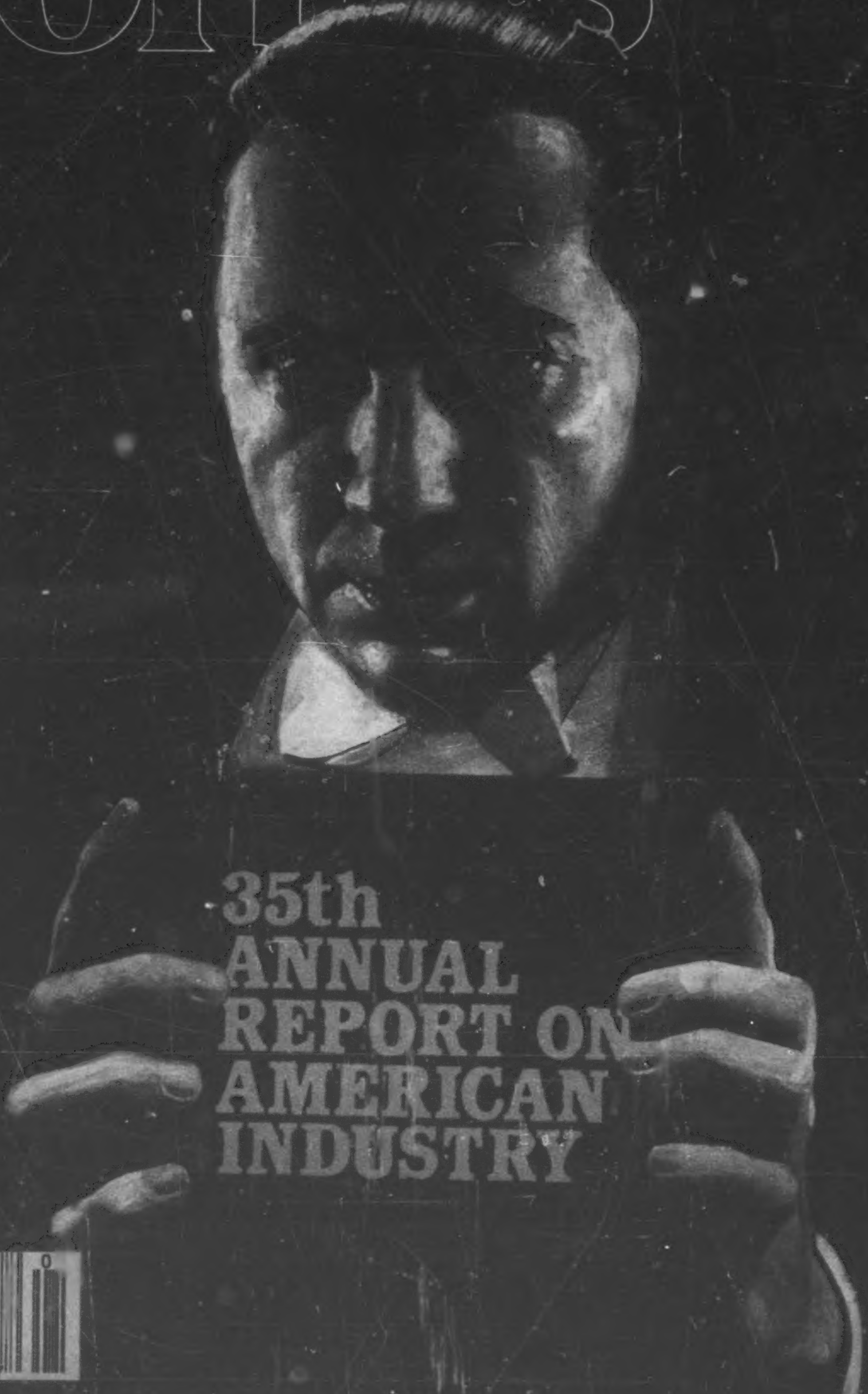
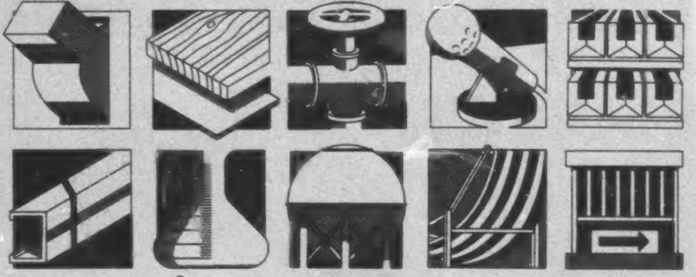


35th ANNUAL REPORT ON AMERICAN INDUSTRY

Forbes

Annual Report On American Industry



January 3, 1983 Volume 131, Number 1

How the 1,002 largest U.S. public companies compare in profitability, growth and market performance on the Forbes Yardsticks, and what lies ahead in 1983.

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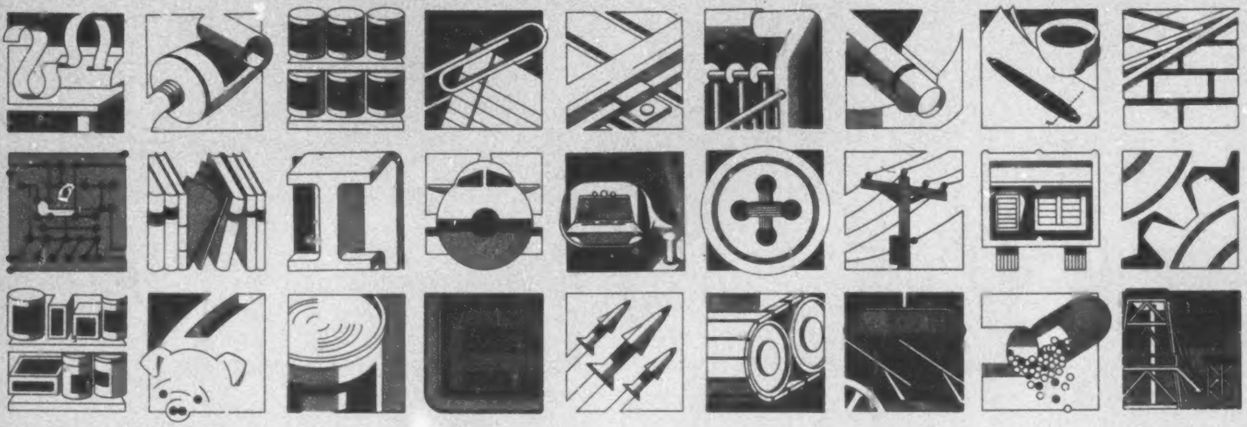

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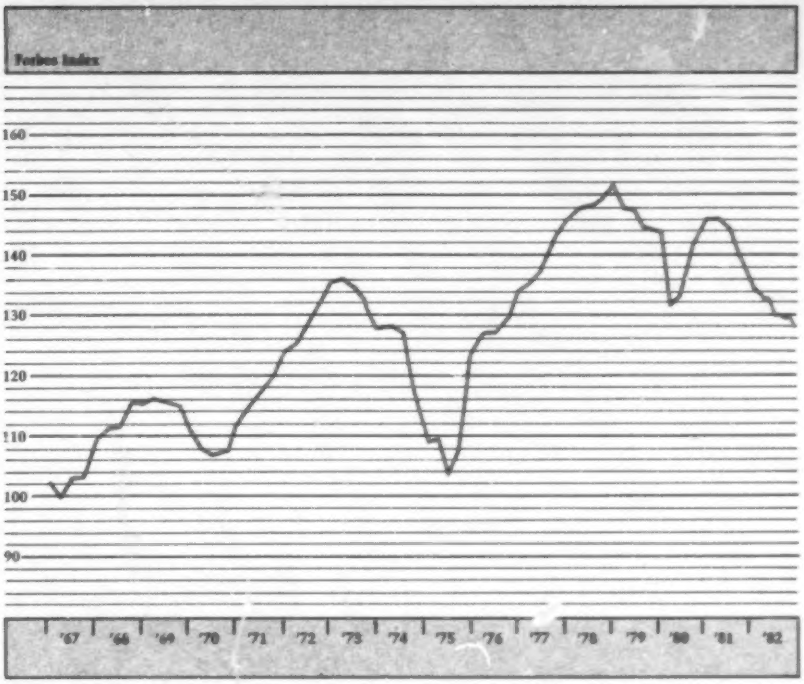
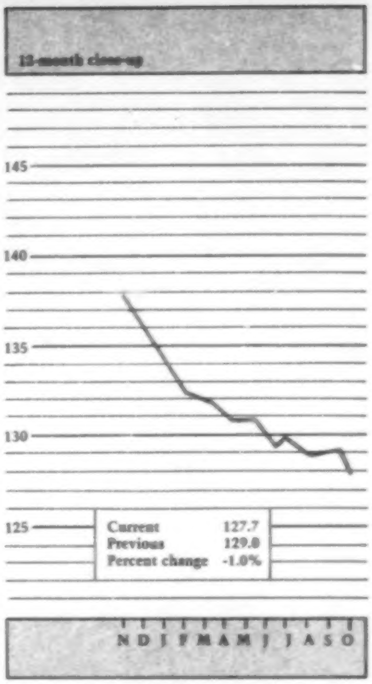
The Forbes Index





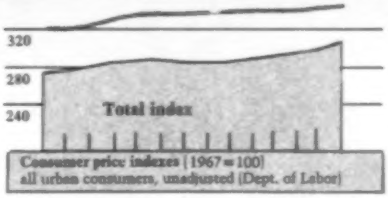
Back on the seesaw. After two consecutive rises, the Forbes Index has once again turned down. The main reason for the fall this time around was the decline in manufacturers' new orders, which were off by 4.7% in October, following a gain of 0.4% the previous month. Even if orders pick up, production will not increase immediately because manufacturers' inventories remain relatively high. Such inventories declined by only 0.2% during the latest period versus a 0.4% decline previously.

Consumers also contributed to the index' fall by paying down debt. Net credit outstanding fell by $324 million. This means that consumers are not yet leading the way to recovery. The decline in debt was surprising since it followed a $1.1 billion rise in credit outstanding the previous month. It also came during the early days of the Christmas shopping season, when credit usually expands.

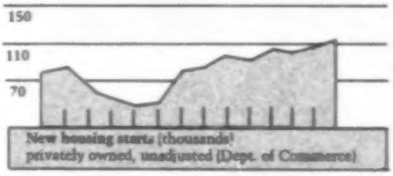
The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

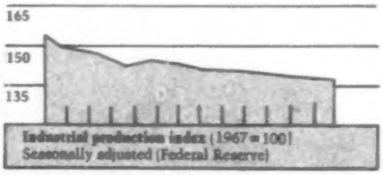
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.



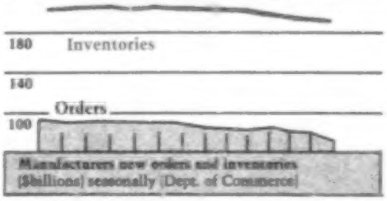
Consumer price indexes (1967 = 100)
all urban consumers, unadjusted (Dept. of Labor)



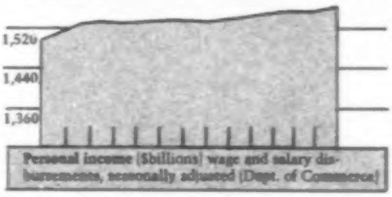
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



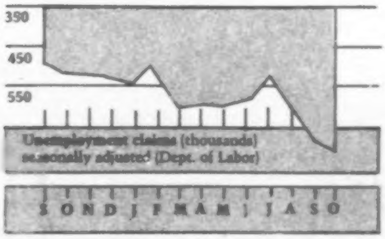
Industrial production index (1967 = 100)
Seasonally adjusted (Federal Reserve)



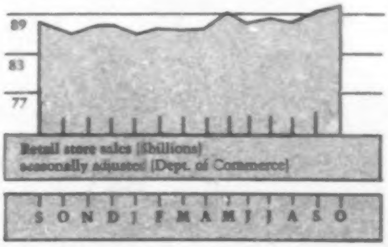
Manufacturers new orders and inventories
($billions) seasonally (Dept. of Commerce)



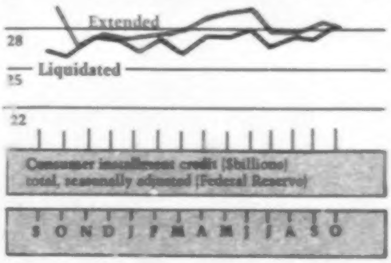
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

The Forbes Yardsticks 1982

How to use them

THE FORBES 35TH ANNUAL REPORT ON AMERICAN INDUSTRY measures management performance of 1,002 big public companies. A company being listed for the first time had to have at least $450 million sales in its latest fiscal year.

The Forbes Yardsticks size up these companies in several ways. We measure their profitability in terms of return on stockholders' equity and on total capital. We measure their growth in both earnings per share and sales. For current trends we track these figures for the latest 12 months, while for a longer view we look at them over the past five years. We also measure their debt-to-equity ratios, net profit margins and stock market performance.

Using all these measures, we compare each of the 1,002 companies against competitors in its own industry and against all 1,001 other companies. Finally, we compare median numbers for the major industry groups against one another. There are 46 major industry groups this year. Of these, 24 are further divided into 61 subgroups to give a clearer picture of how each company stacks up against its real competitors.

To locate a company, refer to the table that begins on page 52: "Where to find the company." It lists the 1,002 companies alphabetically and gives the page where the story related to its industry begins and the appropriate Yardsticks tables appear. You will also find in the alphabetical listing how that company ranks in terms of profitability, growth and stock market performance.

How they are calculated

Return on stockholders' equity Companies obtain their capital from two sources: stockholders and creditors. Return on stockholders' equity is the percentage return on the stockholders' portion of the capital. We express earnings per common share (primary basis) as a percentage of the stockholders' equity per share, assuming conversion of all convertible preferred, at the start of the year. The five-year return in our Yardsticks tables is the average of the returns calculated for the four years 1978 through 1981 and the 12-month period ending with the most recent quarterly report. (For companies whose fiscal years end in January, February or March, the years 1979-82 are used in place of 1978-81.)

Return on total capital This figure is the percentage return on a combination of stockholders' equity (both common and preferred) plus capital from long-term debt including current maturities, minority stockholders' equity in consolidated subsidiaries and accumulated deferred taxes and investment tax credits. The profit figure used in this computation is the sum of net income, minority interest in net income and estimated aftertax interest paid on long-term debt—in other words, income before charges (which means, primarily, interest payments on long-term debt) relating to the nonequity portion of the capital.

The return on total capital is a "basic" measure of an enterprise's profitability. For companies that derive all of their capital from common equity, the two profitability measures will be identical. But a company that employs debt wisely can thereby boost its return on stockholders' equity well above the return on total capital. The time periods employed for this calculation are the same as those for return on stockholders' equity.

Debt-to-equity ratio This ratio tells us to what extent management is using borrowed funds (leverage) in an attempt to increase profits. It is calculated as of the end of the last reported fiscal year by dividing long-term debt (including current maturities) by the sum of stockholders' equity, minority stockholders' interest and accumulated deferred taxes and investment tax credits. A high debt-to-equity ratio makes earnings more volatile and is usually considered prudent only in relatively stable industries.

Net profit margin This measure gives a view of profits different from either the return on stockholders' equity or the return on total capital. Calculated by dividing net profits for the latest 12 months by net sales, it reveals what percentage of each dollar of revenue is available for payment of dividends and reinvestment in the business.

Where to find the rankings

Industry median rankings, p. [illegible]
Profitability rankings, p. [illegible]
Growth rankings, p. [illegible]
Stock market rankings, p. [illegible]

Earnings-per-share growth To present a clear picture and even out short-run distortions caused by very poor or very good years, we reach back over ten years to measure five-year earnings-per-share growth. Using primary earnings per share, we take the average for the most recent five years (1978 through the latest 12 months) and compute the percentage change from the average for the preceding five years (1973 through 1977). We then express that change in terms of a five-year compound annual rate of growth, since the midpoints of the two periods are five years apart.

Sales growth As with earnings growth, we go back ten years to calculate the five-year rate of sales growth. We compare average sales for the company's most recent five years against the average for the preceding five years, and express the change in terms of a five-year compound annual growth rate.

Where to find the company

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Abbott Laboratories	115	144	177	190
ACF Industries	602	610	811	128
Acme-Cleveland	530	157	506	130
Aetna Life & Casualty	279	195	387	80
H F Ahmanson	931	917	501	78
Air Prods & Chems	316	306	341	117
Albertson's	99	158	126	204
Alcan Aluminium	312	87	361	115
Alco Standard	267	373	180	102, 220
Alexander & Alexander	23	227	836	71
Alexander & Baldwin	593	698	377	168
Alexander's	946	929	467	206
Alleghany	416	257	92	71
Allegheny Intl	578	515	528	181, 220
Allegheny Power	657	770	721	103
Allen Group	702	673	600	144
Allied Bancshares	72	110	77	78
Allied Corp	706	712	879	89, 117
Allied Stores	687	621	417	206
Allied Supermarkets	992	971	823	206
Allis-Chalmers	945	927	963	130, 170
Alcoa	522	224	688	115
AM International	987	940	971	126
AMAX	755	689	825	115
Amdahl	578	919	693	123
Amerace	816	847	986	180
Amerada Hess	317	424	238	89
American Bakeries	950	940	904	185
American Brands	149	214	262	198, 220
Amer Broadcasting	209	199	345	216
American Can	991	900	891	200
American Cyanamid	681	751	608	117, 195
American Elec Power	771	843	920	103
American Express	204	278	341	71, 80
American Family	419	705	609	80
American General	329	232	302	80
American Greetings	488	390	132	210
Amer Hoist & Derrick	811	849	919	128
American Home Products	25	418	478	181, 192
Amer Hospital Supply	430	318	224	190, 202
American Intl Group	127	109	135	80
Amer Maize-Products	819	804	536	185
Amer Medical Intl	265	65	38	190
American Motors	980	940	404	170
American Natl Ins	667	322	587	80
Am Natural Resources	313	428	995	94
American Petrofina	422	646	344	67
American Standard	179	197	934	117, 220
American Stores	161	131	315	194, 208
American Tel & Tel	616	601	789	[illegible], 213
AmeriTrust	766	657	758	73
Ametek	215	455	237	130
AMF	776	821	749	[illegible], 220
Amfac	706	676	513	202, 220
AMP	76	153	218	121
Ampco-Pittsburgh	712	540	[illegible]	128
AMR	947	955	441	171
Amstar	772	842	842	185
Amsted Industries	232	369	804	128
Anchor Hocking	785	732	803	200
Anderson, Clayton	768	525	748	183
Anheuser-Busch Cos	260	164	103	188
Anixter Bros	185	113	10	130

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Apple Computer	1	1	**	123
ARA Services	738	715	813	208
Archer Daniels Midland	425	297	319	183
Arden Group	819	**	175	204
Arizona Public Service	555	752	731	103
Arkla	222	444	328	94
Armco	791	739	829	112
Armstrong Rubber	905	875	268	144
Armstrong World Inds	853	780	595	137
Arvin Industries	831	845	432	144
ASARCO	812	521	358	115
Ashland Oil	64	218	517	89
Associated Dry Goods	842	771	350	206
Athlone Industries	422	684	606	112
Atlanta Gas Light	805	765	785	94
Atlantic City Elec	739	815	849	103
Atlantic Richfield	182	122	486	89
Auto Data Processing	187	183	230	126
Avco	452	217	508	71
Avery International	482	335	233	130
Avnet	299	430	70	121
Avon Products	61	599	948	196, 208
Avondale Mills	922	888	566	194
Baker International	77	70	316	100
Baldwin-United	37	93	28	71
Bell Corp	419	337	207	200
Bally Manufacturing	78	37	102	210
Baltimore Gas & Elec	689	716	741	103
BanCal Tri-State	861	625	730	73
BancOhio	866	809	814	73
Bangor Punta	376	6	759	175, 220
Bank of New England	368	280	225	73
Bank of New York	557	579	421	73
BankAmerica	448	490	773	73
Bankers Trust NY	400	237	192	73
Barnes Group	649	641	495	144
Barnett Banks Fla	444	240	137	73
Bausch & Lomb	337	339	336	190
Baxter Travenol Labs	335	176	198	190
Beatrice Foods	436	555	822	185
Becton, Dickinson	527	486	524	190
Belco Petroleum	106	129	324	89
Bell & Howell	917	857	310	126
Bemis	766	575	451	200
Bendix	274	248	264	144, 175, 220
Beneficial Corp	987	907	736	71, 208
Bergen Brunswig	305	15	8	202
Berkshire Hathaway	753	75	41	80, 185
Best Products	361	385	450	208
Bethlehem Steel	910	807	866	112
Beverly Enterprises	123	**	13	190
Big Three Industries	246	142	551	100, 117
Big V Supermarkets	79	66	30	204
Bird & Son	968	940	924	137
Black & Decker	777	777	700	181
Blount	183	192	88	140
Blue Bell	425	412	594	194
Boeing	88	33	221	175
Boise Cascade	797	667	583	108, 137
Borden	639	535	498	185
Borg-Warner	541	327	142	144, 220
Borman's	937	872	172	204
Boston Edison	746	654	821	103

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank: Profitability	Growth	Stock market	Industry survey page
Braniff Intl	986	940	975	172
Briggs & Stratton	219	571	633	130
Bristol-Myers	146	377	303	192
Brockway Inc (NY)	869	839	852	200
Brooklyn Union Gas	492	499	527	94
Brown-Forman Dist	173	101	75	188
Brown Group	389	229	93	194, 208
Browning-Ferris Inds	298	161	53	130
Bruno's	**	35	**	204
Brunswick	121	135	394	210
Bucyrus-Erie	610	677	925	128
Burlington Inds	882	840	579	194
Burlington Northern	827	166	151	178
Burroughs	817	783	945	123
Business Men's Assur	483	28	449	80
Butler Manufacturing	597	740	661	137
Cabot	133	34	144	115, 117
Caesars World	157	3	26	210
California First Bank	690	618	624	73
Cameron Iron Works	119	121	372	100
Campbell Soup	489	586	614	185
Capital Cities Commun	140	119	87	216, 218
Capital Holding	554	454	496	80
Carnation	337	432	555	185
Carolina Pwr & Lt	670	744	858	103
Carpenter Technology	363	382	425	112
Carson Pirie Scott	780	681	684	206
Carter Hawley Hale	806	830	857	206
Castle & Cooke	910	913	940	185
Caterpillar Tractor	427	654	908	128, 170
CBI Industries	198	432	469	140
CBS	357	678	698	216
Ceco	675	284	273	137
Celanese	693	559	699	117
Celeron	19	27	363	94
Centel	324	555	573	213
Centerre Bancorp	636	566	797	73
Centex	249	138	139	140
Central & South West	499	650	764	103
Central Illinois Lt	701	707	753	103
Central Ill Pub Svc	668	771	805	103
Central Soya	796	782	710	183
Central Steel & Wire	648	602	326	112
Certain-teed	944	931	915	137
Cessna Aircraft	533	651	464	175
CPS Continental	732	596	180	202
Champion Intl	760	824	708	108, 137
Champion Spark Plug	773	866	867	144
Charter	13	55	130	89
Chase Manhattan	562	365	391	73
Chemical New York	549	472	462	73
Chesebrough-Pond's	177	351	355	196
Chic & North Western	141	416	29	178
Chic Pneumatic Tool	898	879	947	130
Chromalloy American	846	882	931	220
Chrysler	984	940	982	170
Chubb	332	178	511	80
CIGNA	**	**	**	80
Cincinnati G & E	676	768	917	103
Cincinnati Milacron	188	45	68	130
Circle K	567	748	302	204
Citicorp	470	512	430	73
Cities Service	803	761	164	89

Company	Rank: Profitability	Growth	Stock market	Industry survey page
Citizens & Sthrn Ga	614	117	197	73
City Investing	477	289	248	80, 220
Clark Equipment	914	920	888	128, 170
Cleveland Elec Illum	663	813	869	103
Clorox	332	595	407	181
Cluett, Peabody	824	234	318	194
CNA Financial	169	**	281	80
Coastal Corp	726	836	846	89
Coca-Cola	125	475	644	188
Colgate-Palmolive	510	733	806	181, 196
Collins & Aikman	787	727	427	194
Colonial Penn Group	588	848	950	80
Colt Industries	809	880	307	112
Columbia Gas System	564	627	745	94
Combined Internatl	203	484	434	80
Combustion Eng	192	194	392	130
Comdisco	12	16	5	126
Comerica	693	649	722	73
Commercial Metals	400	585	108	115
Commonwealth Edison	[illegible]	817	873	103
Commonwealth Energy	637	700	769	103
Commonwealth Oil Rfg	982	971	969	89
Computer Sciences	52	123	327	126, 175
ConAgra	104	43	67	183, 185
Cone Mills	595	527	700	194
Consolidated Edison	679	554	837	103
Consolidated Foods	394	370	343	185
Consol Freightways	157	229	300	168
Consol Natural Gas	574	514	783	94
Consolidated Papers	214	207	309	108
Consol Petroleum	6	932	**	89
Consumers Power	735	741	905	103
Continental Corp	621	432	780	80
Continental Group	670	659	802	200
Continental Illinois	541	569	883	73
Continental Telecom	508	626	643	213
Control Data	789	108	165	71, 123
Cook United	955	971	531	206
Cooper Industries	103	132	727	130
Adolph Coors	849	825	786	188
Copperweld	612	775	490	112
Corning Glass Works	712	619	640	121, 220
CPC International	262	405	439	185
Crane	748	859	715	112, 137
Crocker National	595	494	630	73
Cross & Trecker	94	42	805	130
Crown Central Petroleum	205	151	252	89
Crown Cork & Seal	544	452	789	200
Crown Zellerbach	648	862	895	108
Crum & Forster	132	104	114	80
CSX	831	538	**	178
Culbro	514	691	461	198
Cullum Companies	179	67	57	204
Cummins Engine	801	759	704	144
Curtice-Burns	302	445	195	185
Cyclops	856	510	575	112
Dan River	858	258	623	194
Dana	518	658	635	144
Dart & Kraft	546	644	**	185
Data General	342	213	903	123
Datapoint	253	74	292	123
Dayco	823	837	899	130, 144
Dayton-Hudson	118	146	156	206

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth. **Stock market:** 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Dayton Power & Light	703	784	833	103
Dean Foods	130	111	80	185
Deere	686	794	669	170
DEKALB AgResearch	680	736	901	183
Delmarva Power & Lt	716	769	767	103
Delta Air Lines	604	645	346	172
Deluxe Check Printers	56	229	175	218
Dennison Mfg	477	509	413	130
Denny's	282	376	411	208
DeSoto	807	620	592	157
Detroit Edison	810	797	887	103
Dexter	304	347	438	117
Di Giorgio	841	219	509	185, 202
Diamond Intl	868	876	552	200
Diamond Shamrock	478	841	926	89, 117
Dibrell Brothers	910	368	98	202
Digital Equipment	356	79	255	123
Dillard Dept Stores	681	496	82	206
Dillingham	**	69	**	140, 168, 208
Dillon Cos	108	344	311	204
Walt Disney	716	419	459	210
Diversified Energies	456	570	781	94
Donaldson, Lufkin	748	**	25	87
R R Donnelley & Sons	464	364	205	218
Dorchester Gas	62	85	342	89
Dorsey	819	540	402	200
Dover	69	124	185	137
Dow Chemical	407	750	809	117
Dow Jones	27	252	83	218
Dravo	845	846	935	140
Dresser Industries	328	374	826	100
E I du Pont	446	437	817	89, 117
Duke Power	585	582	797	103
Dun & Bradstreet	39	252	133	218
Duquesne Light	801	864	875	103
Dynalectron	616	224	124	140
E-Systems	409	523	55	175
Eagle-Picher Inds	724	793	696	180
Easco	608	799	842	144
Eastern Air Lines	974	971	686	172
Eastern Gas & Fuel	692	795	654	89
Eastman Kodak	231	470	375	210
Eaton	643	723	612	144
Echlin	555	682	581	144
Jack Eckerd	318	358	526	208
Economics Laboratory	372	448	746	181
Edison Bros Stores	224	428	728	208
EG&G	43	80	34	121
El Paso	862	924	732	94
Electronic Data Systems	85	359	36	126
Emerson Electric	176	335	398	135
Emery Air Freight	42	661	907	172
Emhart	378	506	615	130
Empire	592	462	107	89
Engelhard	232	275	**	115
ENSERCH	308	497	488	94
Entex	82	150	340	94
Equifax	268	685	344	218
Equitable of Iowa	839	642	861	80
Esmark	137	228	149	185, 220
Ethyl	475	672	480	117
Evans Products	783	221	957	137
Ex-Cell-O	517	395	484	130

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Exxon	254	429	658	89
Fairchild Industries	70	18	196	175
Farm House Foods	237	349	200	202
Farmers Group	280	246	423	80
Federal Co	553	691	320	185
Federal Express	28	11	39	172
Federal-Mogul	331	271	201	144
Fedl Natl Mortgage	953	938	448	71
Federal Paper Board	530	709	293	108
Federated Dept Stores	560	593	638	206
Ferro	604	690	641	117
Fidelcor	892	886	685	73
Fieldcrest Mills	709	530	856	194
Figgie International	442	274	179	220
Firestone	957	940	800	144
First Bank System	534	518	753	73
First Boston	195	169	41	87
First Charter Finl	938	923	750	78
First Chicago	839	808	659	73
First City Bancorp	329	283	548	73
First Executive	14	4	1	80
First Interstate Bancp	415	269	470	73
First Natl Boston	529	331	234	73
First Natl State Bcp	566	498	567	73
First Natl Supermkts	505	583	504	204
First Pennsylvania	975	940	966	73
First Security	417	530	774	73
First Union	467	238	240	73
First Wisconsin	656	302	637	73
Fischbach	437	507	446	140
Fisher Foods	746	850	572	204
Fleet Financial	402	299	263	73
Fleetwood Enterprises	815	799	182	210
Fleming Cos	325	485	186	202
Flickinger	464	407	148	202
Florida Power & Lt	606	607	990	103
Florida Progress	711	753	690	103
Flowers Industries	271	360	141	185
Fluor	155	173	392	140
FMC	594	536	550	117, 220
Food Town Stores	24	40	11	204
Foodarama Supermkts	936	918	841	204
Ford Motor	960	940	929	170
Foremost-McKesson	384	533	206	202
Fort Howard Paper	100	244	122	108
L B Foster	3	673	**	100
Foster Wheeler	97	102	296	130
Foxboro	531	380	495	130
Frederick & Herrud	860	869	270	183
Freeport-McMoran	91	159	117	117
Frontier Holdings	131	162	171	172
Fruehauf	859	838	863	170
Fuqua Industries	**	90	116	220
GAF	973	940	744	117, 137
Gannett	167	265	259	218
Gas Service	799	716	848	94
Gates Learjet	295	480	72	175
GATX	638	435	782	128
GEICO	8	**	37	80
Gelco	82	71	424	130
General Cinema	134	170	94	188, 210
General Dynamics	635	596	111	175
General Electric	216	421	382	135, 181, 220

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
General Foods	370	449	571	185
General Host	762	5	78	208
General Instrument	207	29	22	121
General Mills	291	361	410	185
General Motors	864	893	853	170
General Public Utils	[illegible]	909	967	103
General Re	134	103	145	80
General Refractories	971	940	952	180
General Signal	404	256	538	130
Genl Tire & Rubber	870	854	591	144, 175
Genesco	923	**	632	194, 208
Genuine Parts	197	338	399	144
Geo International	30	95	**	100
Georgia-Pacific	651	776	886	108, 137
Gerber Products	460	507	650	185
Getty Oil	289	153	670	89
Giant Food	287	221	91	204
Gibraltar Financial	967	940	568	78
Gifford-Hill	734	596	374	137
Gillette	319	622	357	196
Girard	526	328	314	73
Godfrey	626	628	485	204
Golden West Finl	888	915	159	78
B F Goodrich	894	756	494	144
Goodyear	833	708	359	144
Gordon Jewelry	450	304	385	208
Gould	662	811	647	121
W R Grace	408	552	514	117, 220
W W Grainger	259	300	407	135
Graniteville	943	930	927	194
Great Atl & Pac Tea	977	971	824	204
Gt Northern Nekoosa	549	530	520	108
Gt Western Financial	913	901	455	78
Greyhound	582	623	530	168, 183
Grumman	863	891	158	175
GTE	537	664	593	121, 213
Gulf & Western Inds	457	584	348	220
Gulf Oil	606	632	720	89
Gulf Resources & Chem	964	940	718	115
Gulf States Utils	666	761	830	103
Gulf United	462	399	403	80
Halliburton	161	243	837	100
Hammermill Paper	688	592	414	108
Handy & Harman	239	431	162	115
Hanna Mining	872	873	959	115
Hannaford Bros	287	372	76	204
Hanover Insurance	274	130	334	80
Harcourt Brace Jovan	575	671	681	218
Harnischfeger	927	925	960	128
Harris Bancorp	837	828	751	73
Harris Corp	237	98	482	121, 130
Harsco	438	563	558	130
Hart Schaffner & Marx	763	397	131	194
Harvey Hubbell	346	412	257	135
Hawaiian Electric	733	629	712	103
Heck's	336	272	306	206
G Heileman Brewing	35	52	32	108
H J Heinz	321	210	304	185
Walter E Heller Intl	641	695	578	71
Hercules	620	549	412	117
Hershey Foods	277	346	203	185
Hewlett-Packard	240	120	81	121, 123
Hilton Hotels	81	62	99	210

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
Edward Hines Lumber	969	940	884	137
Holiday Inns	657	414	239	210
Holly Corp	227	277	713	89
Honeywell	481	221	256	121, 123
Hoover	891	852	738	181
Hoover Universal	510	678	646	144
George A Hormel	509	410	235	183
Hospital Corp of Am	260	99	3	190
Household Intl	678	724	657	71, 206, 220
Houston Industries	552	635	807	103
Houston Natural Gas	85	191	651	94
HRT Industries	752	**	865	206
Hughes Tool	171	78	454	100
Humana	40	20	6	190
E F Hutton Group	65	72	14	87
Hyster	373	235	525	128, 170
IC Industries	813	575	596	178, 185, 220
Ideal Basic Inds	628	702	893	137
Idle Wild Foods	248	292	190	183
Illinois Power	614	774	880	103
Illinois Tool Works	314	357	379	130
Imperial Corp of Am	**	**	**	78
Inco	966	940	953	115
Indianapolis Pwr & Lt	612	741	778	103
Ingersoll-Rand	525	665	923	130
Inland Steel	909	902	938	112
Insilco	496	590	290	181
Intel	194	195	126	121
Interco	590	640	603	194
InterFirst	292	325	472	73
Interlake	877	868	725	112
IBM	144	512	649	123
Intl Flavors & Frag	144	387	694	196
Intl Harvester	978	940	972	170
Intl Minerals & Chem	388	709	582	117
Intl Multifoods	515	548	553	185
International Paper	564	629	777	108
Intl Tel & Tel	754	728	796	121, 220
InterNorth	307	476	574	94
Interpublic Group	208	354	405	218
Interstate Bakeries	917	940	678	185
Irving Bank	495	366	476	73
IU International	121	249	519	168, 220
James River Corp Va	53	44	44	108
Jefferson-Pilot	603	503	761	80
Jewel Cos	414	285	245	204
Jim Walter	834	861	737	137
Johnson & Johnson	217	314	369	190
Johnson Controls	377	205	672	135, 144
Jonathan Logan	962	940	452	194
Earle M Jorgensen	345	414	364	112
Joy Manufacturing	466	443	660	128
K mart	587	660	816	206
Kaiser Alum & Chem	563	408	839	115
Kaiser Steel	963	940	913	112
Kane-Miller	924	896	236	185
Kaneb Services	89	356	724	100
Kansas City Pwr & Lt	703	731	828	103
Kansas-Neb Nat Gas	361	656	442	94
Kansas Power & Light	598	718	662	103
Kaufman & Broad	893	57	250	140
Kay	576	324	155	183
KDT Industries	983	940	976	206

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Kellogg	67	423	711	185
Kellwood	879	863	871	194
Kelly Services	60	107	167	126
Kemper	243	137	241	80
Kentucky Utilities	838	852	862	103
Kerr Glass Mfg	829	779	734	200
Kerr-McGee	543	564	653	89
Keystone Consolidated	965	940	673	112
Kidde	453	350	401	220
Kimberly-Clark	277	315	416	108, 196
King Kullen Grocery	865	614	458	204
Knight-Ridder News	390	296	223	218
Knudsen	502	145	173	185
Koppers	791	834	918	220
Kroger	379	201	143	204
Laclede Gas	573	552	671	94
Lear Siegler	100	126	291	144, 175, 220
Leaseway Transportation	220	476	378	168
Levi Strauss	75	143	184	194
Levitz Furniture	725	317	435	208
Libbey-Owens-Ford	878	881	733	144
Eli Lilly	156	455	471	192
Lincoln National	697	469	611	80
Liquid Air	628	760	890	117
Litton Industries	258	10	69	220
Lockheed	242	940	40	175
Loews	125	92	73	80, 198
Lone Star Industries	676	500	529	137
Long Island Lighting	608	792	835	103
Longs Drug Stores	226	384	388	208
Longview Fibre	836	884	765	108
Louisiana Land	174	636	756	89
Louisiana-Pacific	781	789	249	108, 137
Louisville Gas & Elec	791	813	878	103
M Lowenstein	895	8	174	194
Lowe's Companies	524	736	337	202
LTV	74	**	430	112
Lubrizol	98	403	679	117
Lucky Stores	124	519	639	204
Lukens	896	877	911	112
M/A-Com	268	88	20	121
Macmillan	941	928	373	218
R H Macy	283	146	62	206
Magic Chef	825	470	329	181
Malone & Hyde	355	480	308	202
Manhattan Industries	857	97	204	194
Manufacturers Hanover	520	567	631	73
Manufacturers National	786	767	683	73
Manville	884	851	970	137
MAPCO	139	574	943	89
Marine Midland Banks	852	510	361	73
Marion	438	701	936	89
Marriott	241	83	52	208, 210
Marsh & McLennan Cos	49	333	584	71
Marsh Supermarkets	309	270	79	204
Martin Marietta	348	285	191	175, 220
Maryland Cup	499	297	267	200
Maryland National	572	501	439	73
Masco	111	267	211	137
Masonite	**	933	**	137
Massey-Ferguson	989	940	973	170
Mattel	370	96	119	210
May Dept Stores	571	577	456	206

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Maytag	116	698	619	181
MCA	359	468	243	210
McCormick	432	410	313	185
McDermott	799	878	937	100, 130
McDonald's	116	167	383	208
McDonnell Douglas	664	551	534	175
McGraw-Edison	601	490	561	135
McGraw-Hill	161	198	90	218
MCI Communications	44	**	2	213
Mead	487	670	840	108
Mellon National	627	449	463	73
Melville	73	202	213	194, 208
Mercantile Bancorp	428	474	689	73
Mercantile Stores	467	393	208	206
Mercantile Texas	227	247	301	73
Merck	113	489	493	192
Meredith	342	73	157	218
Merrill Lynch	309	200	59	87
Metromedia	9	23	21	216
MGM Grand Hotels	149	459	**	210
MGM/UA Entertainment	523	661	**	210
Michigan National	691	720	881	73
Midcon	538	648	**	94
Middle South Utils	654	766	843	103
Midland-Ross	641	608	819	130
Milton Bradley	351	203	282	210
Minn Mining & Mfg	143	347	499	220
Mission Insurance	31	32	84	80
Missouri Pacific	150	366	466	178
Mitchell Energy & Dev	17	50	134	89
Mobil	301	305	475	89
Mohasco	926	885	762	181
Monfort of Colorado	880	914	353	183
Monsanto	751	826	518	117
Montana Power	644	725	763	103
Moore Corp	322	561	587	126
Moore McCormack Res	516	490	801	168
J P Morgan	454	457	433	73
Morrison-Knudsen	410	190	220	140
Morse Shoe	545	381	613	208
Morton Thiokol	263	77	295	117, 175
Motorola	458	383	228	121
Mountain Fuel Supply	622	714	851	94
Munford	375	812	422	204
G C Murphy	919	898	707	206
Murphy Oil	184	178	418	89
Nabisco Brands	295	393	**	185
Nalco Chemical	96	398	265	117
Nash Finch	498	651	784	202
Nashua	660	562	932	126
National Can	632	482	585	200
National City	583	688	859	73
Natl Convenience Stores	68	81	56	204
National Distillers	728	763	674	117, 188, 220
National Fuel Gas	703	600	648	94
National Gypsum	693	439	396	137
Natl Medical Entrprs	200	58	19	190
Natl Semiconductor	281	292	370	121
National Svc Inds	235	300	227	117, 130, 135
National-Standard	928	916	955	112
National Steel	932	905	[illegible]	112
Nationwide	803	501	[illegible]	80
Natomas	154	319	[illegible]	89, 168

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Rank: Industry survey page
NBD Bancorp	699	603	697	73
NCNB	469	321	429	73
NCR	323	156	280	123
New England Electric	534	568	544	103
N Y State Elec & Gas	578	663	760	103
New York Times	374	378	183	218
Newmont Mining	519	517	189	115
Niagara Frontier Services	252	436	523	204
Niagara Mohawk Power	647	703	797	103
NICOR	478	605	838	94
A C Nielsen	206	302	166	218
NIKE	2	2	**	194
NL Industries	200	187	298	100
Nordstrom	332	266	121	208
Norfolk Southern	440	172	**	178
North American Coal	454	440	570	89
North Amer Philips	570	505	425	121
Northeast Utilities	790	827	714	103
No Indiana Pub Svc	874	889	934	94, 103
No States Power	557	642	771	103
Northern Trust	761	680	515	73
Northrop	348	406	160	175
Northwest Airlines	929	903	443	172
Northwest Bancorp	540	516	675	73
Northwest Energy	447	529	618	94
Northwest Industries	71	115	565	112, 220
Northwestern Steel	844	367	876	112
Norton	422	370	445	130
Norton Simon	632	634	589	185
Nucor	41	63	54	112
NVF	890	895	322	112, 115
Oak Industries	443	81	246	121, 216
Occidental Petroleum	48	390	874	89
Ogden	420	572	452	168, 220
Ohio Casualty	128	163	332	80
Ohio Edison	775	855	909	103
Oklahoma Gas & Elec	720	818	827	103
Old Republic Intl	138	126	368	80
Olin	843	763	497	117, 220
Olympia Brewing	939	912	600	188
Oneok	245	461	616	94
Outboard Marine	880	858	510	210
Owens-Corning Fbrgls	743	755	742	137
Owens-Illinois	757	577	702	200
Pabst Brewing	948	934	859	188
PACCAR	257	330	389	170
Pac Gamble Robinson	798	816	791	202
Pacific Gas & Elec	669	735	703	103
Pacific Lighting	591	504	580	94
Pacific Pwr & Lt	634	746	794	103
Pacific Resources	375	353	181	89
Paine Webber	639	442	27	87
Palm Beach	165	273	547	194
Pan Am World Airways	954	971	944	172
Panhandle Eastern	227	355	619	94
Pantry Pride	990	940	787	204
Parker Drilling	63	60	691	100
Parker-Hannifin	393	533	549	130
Parker Pen	227	312	502	126
Parsons	51	118	86	140
Pay Less Drug NW	212	236	74	208
Payless Cashways	225	139	61	208
Pay'n Save	569	653	792	208

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Rank: Industry survey page
Peabody Intl	950	936	**	130
Penn Central	645	48	161	220
Penn Traffic	653	687	766	204
PennCorp Financial	**	220	232	80
J C Penney	701	673	563	206
Penn Power & Light	684	806	844	103
Pennwalt	758	741	912	117
Pennzoil	66	329	433	89
Peoples Drug Stores	434	116	85	208
Peoples Energy	503	697	**	94
PepsiCo	142	312	521	188
Perini	744	344	244	140
Perkin-Elmer	302	153	138	121
Petrie Stores	87	465	682	208
Petrolane	90	204	428	100
Pettibone	956	940	961	128
Pfizer	367	524	193	192
Phelps Dodge	921	892	704	115
PHH Group	105	141	66	130
Phibro-Salomon	22	76	**	202
Phila Electric	763	787	877	103
Philadelphia Natl	625	555	381	73
Philip Morris	110	188	321	198
Phillips Petroleum	212	267	757	89
Phillips-Van Heusen	867	22	360	194
Piedmont Aviation	109	264	23	172
Pillsbury	365	343	692	185
Pioneer	35	134	140	94
Pioneer Hi-Bred Intl	92	263	152	183
Pitney Bowes	268	100	254	126
Pittsburgh National	476	427	283	73
Pittston	876	910	941	89, 208
Pneumo	398	452	63	175, 204
Polaroid	889	832	779	210
H K Porter	794	540	896	130
Portland Genl Elec	741	823	896	103
Potlatch	736	789	655	108
Potomac Elec Power	709	726	686	103
PPG Industries	559	473	356	117, 137, 144
Primark	908	911	**	94
Procter & Gamble	251	425	604	181, 196
Provident Life & Acc	463	462	652	80
Public Service Colo	779	835	872	103
Public Service Indiana	480	669	854	103
Pub Svc Elec & Gas	745	758	795	103
Pueblo International	723	**	367	204
Purolator	272	466	118	126, 144
Quaker Oats	406	341	317	185
Quaker State Oil	567	773	558	89
Rainier Bancorp	527	437	716	73
Ralston Purina	584	703	641	185
Ramada Inns	949	937	545	210
Rath Packing	991	971	964	183
Raychem	358	86	212	135
Raymond Intl	714	786	946	140
Raytheon	95	128	209	121, 175, 220
RCA	674	756	810	71, 216, 220
Reading & Bates	177	181	371	100
Reichhold Chemicals	903	899	666	117
Republic Airlines	979	940	635	172
Republic Finl Svcs	309	295	89	80
Republic New York	136	185	60	73
Republic Steel	915	883	921	112

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
RepublicBank	382	408	330	73
Research-Cottrell	795	242	914	130
Resorts Intl	11	7	95	210
Revco D S	191	165	112	208
Revere Copper	906	**	962	115
Revlon	306	422	930	196
Rexnord	719	802	933	130
R J Reynolds Inds	193	459	409	198
Reynolds Metals	814	667	892	115
Richardson-Vicks	**	375	**	192
Riegel Textile	720	705	627	194
Rite Aid	175	124	123	208
RLC	**	926	**	168
Roadway Services	189	403	349	168
Robertshaw Controls	855	685	635	135
H H Robertson	297	[illegible]	335	137
A H Robins	513	[illegible]	339	192
Rochester Gas & Elec	685	[illegible]	820	103
Rockwell Intl	348	[illegible]	146	144, 175
Rohm & Haas	610	[illegible]	231	117
Rohr Industries	198	**	278	175
Rollins	218	416	516	100, 216, 220
Roper Corp	826	445	606	181
Rose's Stores	740	209	250	206
Royal Crown Cos	727	864	772	188
Ruddick	499	53	274	204
Ryan Homes	681	813	289	140
Ryder System	195	54	106	168
Safeco	382	[illegible]	286	80
Safeway Stores	585	[illegible]	676	204
Saga	551	564	113	208
St Paul Cos	325	311	323	80
St Regis Paper	697	749	889	108
Sambo's Restaurants	985	940	974	208
San Diego Gas & Elec	708	803	740	103
Santa Fe Industries	769	467	447	178
Savannah Foods	168	177	188	163
Savin	84	24	958	126
Schering-Plough	236	586	645	192
Schlumberger	21	38	354	100
SCM	769	543	430	108, 117, 137
SCOA Industries	45	61	16	194, 206
Scot Lad Foods	850	**	850	202
Scott & Fetzer	341	581	602	220
Scott Paper	720	476	532	108, 181
Scovill	755	319	831	137, 181
Seaboard	315	84	253	183
Seafirst	657	637	916	73
Seagram	506	133	129	188
G D Searle	223	340	101	192
Sears, Roebuck	819	788	723	71, 206
Seaway Food Town	369	287	187	204
Security Pacific	386	238	380	73
SEDCO	129	180	258	100
Service Merchandise	114	152	266	208
Servicemaster Inds	13	89	65	190
Shaklee	58	173	667	190
Shawmut	787	210	147	73
Shell Oil	285	291	288	89
Sheller-Globe	887	906	444	144
Sherwin-Williams	873	682	128	137
Shopwell	883	**	49	204
Sigmor	430	637	183	89

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
Signal Cos	97	289	272	170, 220
Singer	51	971	868	175, 181
Skyline	840	818	456	210
A O Smith	910	805	928	144
Smith International	160	136	533	100
SmithKline Beckman	15	49	178	192
Snap-On Tools	93	[illegible]	306	144
SONAT	243	294	396	94
Sonoco Products	352	332	219	200
So Carolina E & G	729	785	793	103
Southeast Banking	530	342	331	73
Southern Calif Edison	624	722	628	103
Southern Company	759	827	864	103
So New England Tel	651	573	507	213
Southern Pacific	885	610	719	178
Southern Union	327	547	847	94
Southland	386	308	384	204
Southwest Bancshares	474	379	477	73
Southwest Forest Inds	671	720	706	108, 137
Southwestern Pub Svc	[illegible]	713	770	103
Sperry	660	591	869	123, 170, 175
Springs Industries	847	278	168	194
Square D	119	413	625	135
Squibb	600	746	294	192
A E Staley Mfg	421	536	597	183
Stanadyne	405	555	726	130
Std Comml Tobacco	151	206	104	202
Standard Oil Calif	276	316	479	89
Standard Oil Indiana	255	351	465	89
Standard Oil Ohio	10	19	318	89
Stanley Works	485	411	276	181
Stauffer Chemical	410	604	491	117
Sterling Drug	418	617	468	192
J P Stevens	925	894	460	194
Stewart & Stevenson	340	387	512	130
Stewart-Warner	774	796	626	130
Stokely-Van Camp	854	629	261	185
Stone Container	458	616	97	200
Stop & Shop Cos	484	479	71	204
Storage Technology	46	25	47	123
Strawbridge & Clothier	808	[illegible]	539	206
Subaru of America	4	9	3	170
Suburban Propane Gas	410	425	365	89
Sun Chemical	233	64	376	117
Sun Company	285	401	543	89
Sundstrand	153	182	260	130, 175
Super Food Services	693	696	406	202
Super Valu Stores	59	112	110	202
Superior Oil	401	59	150	89
Supermarkets General	166	94	64	204
Swift Independent	**	**	**	183
Sybron	828	821	768	190, 220
Sysco	265	168	17	202
Talley Industries	970	940	942	181
Tandy	7	26	9	208, 210
TECO Energy	534	606	752	103
Tecumseh Products	344	493	634	130
Tektronix	290	148	536	121
Teledyne	29	31	46	80, 220
Tenneco	397	639	735	89, 94
Tesoro Petroleum	50	140	285	89
Texaco	449	520	717	89
Texas Air	981	971	487	172

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Texas American Bchs	472	402	297	73
Texas Commerce Bchs	210	193	277	73
Texas Eastern	284	386	656	94
Texas Gas Transmn	293	368	546	94
Texas Instruments	402	464	395	121
Texas Oil & Gas	28	51	50	89
Texas Utilities	506	614	755	103
Textron	646	738	808	175, 220
Thriftimart	616	12	169	204
Thrifty Corp	491	287	269	208
Tidewater	159	396	492	100
Tiger International	916	908	956	128, 172
Time Inc	504	441	229	218
Times Mirror	220	257	199	218
Timken	670	646	790	130
Todd Shipyards	16	**	43	175
Toledo Edison	731	842	900	103
Torchmark	649	549	610	80
Toro	904	904	743	181
Tosco	5	14	222	89
Toys "R" Us	53	46	7	208
Trane	599	326	436	137
Trans World	939	105	170	172
Transamerica	380	226	481	71
Transco Energy	263	233	598	94
Transway Intl	492	717	788	168
Travelers	429	249	415	80
Trinity Industries	80	184	210	130
TRW	273	483	279	121, 144, 220
Turner Construction	147	262	226	140
Tyco Laboratories	32	56	194	135, 200
Tyler	249	487	474	130
Tyson Foods	330	259	45	183
U S Air	112	21	24	172
UAL	942	921	583	172
UGI	631	546	812	94
UMC Industries	784	829	949	130
Union Camp	390	579	569	108
Union Carbide	628	730	577	117, 220
Union Electric	654	745	818	103
Union Oil California	233	334	271	89
Union Pacific	538	260	338	89, 178
Uniroyal	959	940	601	144
United Brands	930	**	617	185
United Energy Resources	55	68	400	94
United Illuminating	577	780	845	103
United Merch & Mfrs	971	971	351	194
U S Bancorp	363	363	664	73
United States Gypsum	434	216	242	137
U S Home	432	106	58	140
U S Industries	934	897	535	220
United States Shoe	255	261	125	194
United States Steel	901	887	939	89, 112
United Technologies	394	494	473	175, 220
United Telecom	346	586	665	213
United Virginia Bchs	441	276	247	73
Univar	385	449	286	202
Universal Foods	399	560	587	185
Universal Leaf	293	310	390	202
Upjohn	186	309	599	192
USF&G	190	189	560	80
USLIFE	461	528	619	80
Utah Power & Light	742	789	739	103
Valero Energy	181	**	347	94
Valley National	360	245	393	73
Varian Associates	286	491	136	121
VF	148	241	48	194
Va Electric & Power	818	831	815	103
Vulcan Materials	172	307	216	117, 137
Wachovia	547	488	275	73
Wal-Mart Stores	34	36	15	206
Waldbaum	486	323	115	204
Walgreen	246	114	35	208
Wang Laboratories	26	17	4	123
Warnaco	337	**	51	194
Warner Communications	46	40	33	210
Warner-Lambert	737	856	729	192
Washington Gas Light	835	729	746	94
Washington National	718	543	622	80
Washington Post	192	159	105	218
Waste Management	107	47	18	130
Del E Webb	899	860	909	140, 210
Weis Markets	202	280	109	204
Wells Fargo	492	390	677	73
Wendy's International	57	30	420	208
West Point-Pepperell	699	522	812	194
Western Air Lines	976	940	951	172
Western Co No Amer	38	39	214	100
Western Union	900	734	163	213
Westinghouse Electric	451	215	299	135, 220
Westmoreland Coal	952	939	965	89
Westvaco	560	593	542	108
Wetterau	665	798	629	202
Weyerhaeuser	615	778	576	108, 137
Wheelabrator-Frye	381	251	556	130
Wheeling-Pitts Steel	943	870	439	112
Whirlpool	394	542	333	131
White Consolidated	588	799	489	181
Whittaker	152	13	96	190, 220
Wickes Cos	988	948	967	208
WICOR	778	753	855	94
Willamette Inds	670	809	500	108, 137
Williams Cos	851	874	776	117
Wilson Foods	961	971	**	183
Winn-Dixie Stores	211	445	383	204
Wisconsin Elec Power	622	613	775	103
Wisconsin Pwr & Lt	547	624	696	103
Wisconsin Public Svc	581	632	663	103
Witco Chemical	390	458	504	117
F W Woolworth	935	922	540	206
Worthington Inds	36	91	284	112
Wm Wrigley Jr	473	694	668	185
Wyman-Gordon	164	210	154	175
Xerox	365	526	882	126
Yellow Freight System	750	871	922	168
Zale	729	539	132	[illegible]
Zapata	445	252	217	100
Zayre	714	170	12	206
Zenith Radio	897	890	833	131
Zurn Industries	299	149	437	130

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth. **Stock market:** 5-year price change. **Not ranked.

Charge cards that draw against the equity in your home are just one of a flock of new offerings in the financial free-for-all.

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Financial services

By Priscilla S. Meyer and Laura Rohmann

FINANCIAL SERVICES used to be a well-defined industry made up primarily of corporate and personal finance companies—the little man's lender of next-to-last resort (the last being your friendly neighborhood loan shark). Now it's a free-for-all. In fact, by next year FORBES' list of financial service companies could be completely changed. The new leaders could be bank, brokerage or insurance holding companies, or even concerns from as far afield as Xerox.

"The industry that was once known as banking, the industry known as insurance, the industry known as brokerage—and a host of additional businesses—are all now evolving into a new industry called financial services," says James Robinson III, chairman and CEO of American Express Co. Robinson ought to know. His company now combines credit cards and traveler's checks with a major brokerage house (Shearson), a big insurer (Fireman's Fund) and an international banking operation.

Several things happened to trigger the changes. Behind them are a more sophisticated consumer and computers that instantaneously transfer funds and keep accounts. At the same time—and partly as a result of the computer—the federal government has been loosening laws and rules that restricted financial institutions from going into one another's business.

Because of the new products the computer makes possible, Americans have moved their savings into "sweep" accounts, annuities and insurance (universal life) backed by interest-earning money market funds; to similar funds attached to Visa and other cards that permit easy access; and even to loans against their houses that can be drawn down through Visa or MasterCard. Beneficial, an old-line financial service company, now offers second-mortgage debit accounts that permit free checking against second mortgages and says it already has 50,000 such accounts operating in 29 states.

One of the most popular new products is money market funds connected to checking accounts and Visa cards, such as Merrill Lynch's CMA accounts. Merrill was quickly followed by Shearson/American Express, E.F. Hutton, banks and others, each with variations on the theme.

One of the most far-reaching developments may be a regulatory change that allows thrifts to offer money market instruments with checking, backed by some sort of federal guarantee. Currently being introduced by thrifts across the country, this new capability has brought on a wave of acquisitions of S&Ls and savings banks by brokerage houses and other financial service companies. And it has the companies busily working out "insured" money market accounts and other new products to compete with the thrifts' new accounts. That in turn promises yet another wave of new products and additional business for some insurers.

By now, the revolution in financial services has attained a momentum of its own. "While Washington ponders legislative change, the old restrictions

Watch the factors

Virtually no other business swings so sharply on an economic turnaround as factoring—the business of buying the receivables of seasonal merchandisers like textile manufacturers and toymakers, as a form of lending.

In past recessions, major factoring companies like Mill Factors have collapsed while awaiting the turn. This time, though, the business seems to have survived with nothing much worse than poor earnings and lowered ratings from debt-rating agencies.

Take Walter E. Heller International, the largest international factoring company. By the third quarter of 1982 things were getting pretty bad—finance profits were down 40.6% from the year-earlier quarter. But Heller still had earnings in 1982.

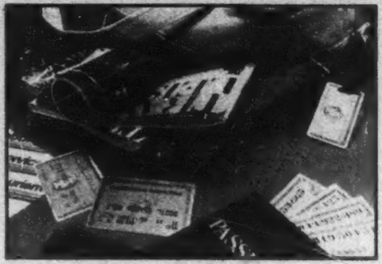
What made the difference? Only the few strongest factoring companies survived the recessions of the 1970s independently—and those, like Heller, have internationalized and diversified.

Beyond Heller, the effects of factoring are submerged these days in subsidiaries of large financial service companies, which have taken over some of the concerns that wavered in the late Sixties and Seventies. The biggest: two units of RCA's C.I.T. Financial, and units of First National Bank of Boston, Manufacturers Hanover, Irving Trust, Barclays American, Republic Factors, Citizens & Southern, Gulf & Western, Bankers Trust and Chase Manhattan. An economic turnaround should bring a big shot of adrenaline to them—and to their parents.—P.S.M. and L.R.

and limitations that are still on the books are being rendered less and less important," observes Robinson.

Indeed, even the barriers between finance companies are evaporating to the point that the National Consumer Finance Association gave up dividing finance companies by category late last year. Traditionally, it had separated consumer finance companies, primarily engaged in cash loans to consumers, from sales finance companies, which largely bought retail installment sales contracts from retailers and dealers. Now, says the NCFA, "generalizations of this type no longer apply." Consumer finance companies now often purchase installment sales contracts through cash loan offices, while sales finance companies have invaded the cash loan business. And both are active in many forms of commercial financing.

Financial service institutions that don't have sophisticated computer equipment in place are scrambling to do so. Take independent insurance agents, the local property/casualty sellers that are almost an American institution. Many such agents—which usually represent several underwriters in their local market—are in trouble. Not only do they face large insurers that employ their own salesmen, like Sears' Allstate, already computerized through its own retail stores, but also growing mass sellers of property/casualty insurance, through brokers like Marsh & McLennan, to corporations and through payroll deductions; sales of insurance through securities houses and life company agents; and competitive agents that are linked by computer to major insurance companies.



American Express cards
Not just for travel anymore.

Travelers, for example, is already computer-linked to some 350 agents. And Fireman's Fund has budgeted $100 million for computers for its agents and has bought, for $52.5 million, ARC Automation Group Inc., a computer system marketing company that sells automation services to agents and brokers.

Meanwhile, Transamerica—which has interests in both property/casualty insurance and life insurance—is buying Fred S. James & Co., a big computer-linked insurance brokerage concern with interests in employee benefits and insurance brokerage outlets around the country.

While the free-for-all rages on in the U.S., the seeds are being planted for expansion abroad—despite the currently strong U.S. dollar. Marsh & McLennan, Alexander & Alexander and other large insurance brokers have already established links to the London insurance market through major acquisitions. Now other financial service companies are following.

Sears, for example, made big moves into financial services when it acquired brokerage house Dean Witter and Coldwell, Banker & Co., a real estate broker. Now it is quietly expanding overseas through a new overseas trading company headquartered in Chicago, whose job is working on "trading strategies" for major international markets. The company is helping foreign retailers build and manage stores abroad, for which Sears is supplying American merchandise. Last year one such store opened in Chile; two more will be opening in Ecuador this year. It's a natural foothold for Sears credit, insurance, real estate and other financial services.

No question: 1983 promises to be a year of confusion and opportunity. ■

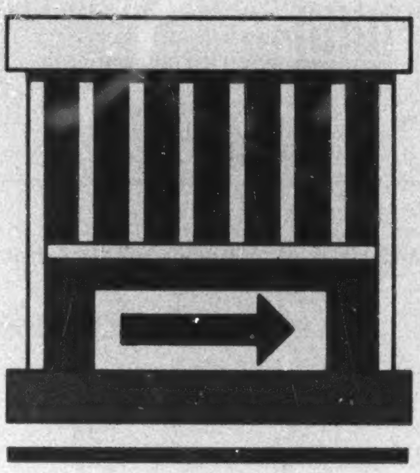
Financial services

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year rank**	**5-year average**	**latest 12 months**	**debt/equity ratio**	**5-year rank**	**5-year average**	**latest 12 months**	**net profit margin**	**5-year rank**	**5-year average**	**5-year rank**	**5-year average**
Alexander & Alexander	1	34.6%	20.7%	0.0	1	37.4%	22.7%	9.1%	3	25.0%	5	17.9%
Baldwin-United	2	30.3	38.7	1.1	3	18.6	19.2	3.1	1	55.2	1	25.4
Marsh & McLennan Cos	3	29.0	21.0	0.3	2	29.4	18.4	12.8	4	17.9	8	14.6
American Express	4	20.7	20.3	0.5	4	17.8	16.3	7.1	6	17.8	7	16.4
Transamerica	5	17.0	11.4	1.1	6	10.9	8.1	4.3	10	10.0	4	18.1
Alleghany	6	16.3	15.3	0.2	5	13.8	12.2	4.3	2	42.6	6	16.9
Avco	7	15.6	6.2	2.6	11	6.8	5.2	2.5	11	9.7	3	18.3
Walter E Heller Intl	8	12.8	18.8	2.1	10	7.3	9.1	7.0	5	17.9	9	5.4
RCA	9	12.4	9.9	0.9	7	9.9	7.8	2.8	12	9.0	11	3.2
Household Intl	10	12.3	8.9	2.1	12	6.7	5.6	1.8	8	14.6	10	4.4
Control Data	11	10.5	9.4	0.3	8	9.0	8.6	3.5	9	14.2	2	23.6
Sears, Roebuck	12	9.8	9.0	0.6	9	8.8	7.6	2.4	13	7.4	12	1.9
Beneficial Corp	13	5.2	def	3.4	13	5.2	3.3	def	14	7.1	13	–14.2
Fedl Natl Mortgage	14	0.2	def	41.1	14	4.8	4.5	def	7	16.8	14	–53.8
Industry medians		**14.2**	**10.7**	**1.0**		**9.5**	**8.4**	**3.3**		**15.7**		**15.5**
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.

Third World countries and tottering U.S. old-line companies notwithstanding, the old wisdom still seems compelling. Your friendly banker will always find a way to keep his head out of the noose.



Banks

By Eamonn Fingleton

DEPENDING ON HOW COSMIC the view of the observer, 1983 could be everything from a tough year for the banks to the collapse of Western civilization as we know it. Which will it be?

Take a look at the tables below. The Penn Square disaster may have shattered Wall Street's love affair with Sunbelt banks, but they remain the star performers of the FORBES rankings. Texas banks are in six of the first ten places in five-year return on equity. League-leader Allied Bancshares of Houston, which averaged a 27% return over five years, excelled itself with a sparkling 32% in the latest year. And that despite writing up its loan loss reserve to a record 1.6% of total loans. Oil-oriented business, which makes up about 30% of its total loan portfolio, has been springing some leaks. But Allied's down-home understanding of oil and oilmen seems to have saved it from the worst mistakes made by gullible out-of-staters.

So far, at least. As Elvis Mason,

Banks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
New York banks												
Republic New York	1	22.6%	19.6%	0.6	1	14.9%	14.4%	5.3%	1	43.9%	1	19.3%
Bankers Trust NY	2	16.6	18.0	0.2	3	13.2	15.2	4.8	9	19.4	2	17.6
J P Morgan	3	15.6	15.5	0.2	2	13.6	14.5	5.7	5	22.9	5	11.3
Citicorp	4	15.4	16.7	1.9	9	10.3	9.6	4.0	4	24.2	8	10.0
Irving Bank	5	14.9	12.9	0.4	5	11.6	10.8	3.5	8	20.1	4	13.7
Manufacturers Hanover	6	14.5	14.1	0.6	6	11.6	11.5	3.6	3	24.7	9	8.7
Chemical New York	7	14.1	15.1	0.3	8	10.7	12.7	4.1	6	20.6	6	11.0
Bank of New York	8	14.0	16.2	0.2	4	12.6	14.1	4.7	2	27.0	10	8.3
Chase Manhattan	9	13.9	11.3	0.5	7	10.8	10.1	3.2	7	20.6	3	13.7
Marine Midland Banks	10	8.9	10.2	0.5	10	7.5	8.7	3.4	10	16.6	7	16.1
Medians		14.7	15.3	0.5		11.6	12.1	4.1		21.8		11.2
Regional banks												
Allied Bancshares	1	26.7%	31.8%	0.2	1	23.0%	25.0%	11.2%	2	39.2%	1	23.4%
Texas Commerce Bshs	2	20.6	22.0	0.1	2	19.1	20.0	8.9	3	32.5	3	19.0
Mercantile Texas	3	20.1	19.6	0.3	5	16.8	20.7	8.5	1	45.5	9	17.2
InterFirst	4	18.7	18.3	0.5	6	15.3	15.6	7.4	6	28.3	17	14.8
First City Bancorp	5	18.1	16.9	0.1	3	17.1	16.6	7.3	4	30.4	13	16.3
Valley National	6	17.4	12.4	0.0	4	16.8	12.5	5.9	25	20.6	8	17.3
U S Bancorp	7	17.4	14.2	0.5	13	13.4	11.2	8.4	39	18.7	21	13.8
Bank of New England	8	17.3	16.5	0.3	18	12.7	13.2	5.2	7	28.2	12	16.4
RepublicBank	9	16.9	18.2	0.3	8	14.6	16.6	7.3	5	29.2	25	12.6
Security Pacific	10	16.8	15.5	0.8	10	13.7	11.2	4.9	16	22.5	5	17.5

Note: Explanation of Yardsticks calculations on page 50.

chairman of Dallas-based InterFirst, another top-performing oil bank, points out, it is the bankruptcy that bankers have not anticipated that scares them the most. The collapse of little Penn Square Bank in Oklahoma City last summer gave bankers a sharp reminder of just how devastating a bolt from the blue can be. In the oil fever that followed the 1979 OPEC price hikes, Penn Square generated $2 billion of participation loans for eager out-of-state bankers. In 1982's oil bust, many of the borrowers went under, taking Penn Square with them and costing other bankers about $500 million in writeoffs. For Continental Illinois alone, the resulting June quarter loan loss provision was $220 million.

Banks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Fleet Financial	11	16.5%	18.0%	1.1	40	10.9%	10.6%	6.7%	46	16.7%	14	15.8%
First Interstate Bancp	12	16.3	13.6	0.4	15	13.2	11.4	5.0	31	19.5	10	16.6
First Security	13	16.2	15.6	0.6	26	11.7	11.6	8.5	32	19.4	37	9.4
Mercantile Bancorp	14	16.0	16.6	0.3	20	12.6	13.7	7.7	27	20.3	29	11.0
United Virginia Bshs	15	15.9	16.0	0.4	35	11.2	12.1	7.6	47	14.9	11	16.4
Barnett Banks Fla	16	15.8	15.4	0.4	17	12.9	12.4	6.9	24	20.9	7	17.5
BankAmerica	17	15.7	10.4	0.4	19	12.6	9.2	2.8	23	21.0	31	10.5
First Union	18	15.4	15.3	0.3	29	11.6	12.5	5.6	28	19.7	5	17.5
NCNB	19	15.4	15.0	0.3	27	11.6	12.7	6.4	30	19.5	16	15.1
Texas American Bshs	20	15.3	16.6	0.3	12	13.5	14.9	7.7	8	27.3	24	12.9
Southwest Bancshares	21	15.3	17.7	0.2	7	14.7	19.8	8.3	10	26.5	22	13.3
Pittsburgh National	22	15.2	15.7	0.2	9	14.1	13.7	6.8	13	23.4	26	12.0
Wells Fargo	23	14.9	13.7	1.2	31	11.5	9.7	4.2	20	21.5	23	13.0
Girard	24	14.4	12.7	0.4	33	11.3	11.0	6.3	51	12.4	18	14.7
Rainier Bancorp	25	14.4	12.2	0.2	16	13.1	11.2	5.5	18	21.8	27	11.7
First Natl Boston	26	14.4	14.6	0.5	41	10.6	11.7	4.3	13	23.4	19	14.6
Southeast Banking	27	14.4	12.8	0.4	38	11.0	10.3	5.9	26	20.5	20	14.3
First Bank System	28	14.3	11.5	0.4	23	12.0	9.8	4.9	22	21.3	36	9.9
Northwest Bancorp	29	14.3	10.8	0.5	32	11.3	9.2	4.8	19	21.6	35	10.0
Continental Illinois	30	14.2	6.3	0.5	22	12.2	6.7	1.7	11	25.7	40	8.6
Wachovia	31	14.1	13.6	0.0	11	13.6	13.2	6.7	42	17.4	30	10.7
First Natl State Bcp	32	13.9	16.2	0.2	25	11.7	14.0	7.2	40	18.3	33	10.3
Maryland National	33	13.8	13.6	0.3	30	11.6	12.0	7.0	36	18.9	34	10.2
National City	34	13.6	11.4	0.3	14	13.4	10.1	6.8	17	22.2	48	5.5
Crocker National	35	13.4	5.1	0.2	44	10.2	5.6	2.0	21	21.4	32	10.4
Citizens & Sthrn Ga	36	13.2	15.7	0.2	21	12.3	14.3	7.3	52	12.2	2	23.0
Philadelphia Natl	37	13.0	15.2	0.4	45	10.1	12.0	6.7	49	14.5	38	8.9
Mellon National	38	13.0	14.3	0.5	36	11.2	11.5	5.9	37	18.9	28	11.4
Centerre Bancorp	39	12.8	10.3	0.3	24	11.9	9.1	4.5	15	22.5	39	8.7
First Wisconsin	40	12.6	12.3	0.3	43	10.3	10.5	4.8	50	13.1	15	15.7
Seafirst	41	12.6	def	0.2	28	11.6	def	def	12	24.3	44	6.7
California First Bank	42	12.1	4.3	0.4	49	9.2	4.8	1.8	9	27.3	42	7.2
Michigan National	43	12.1	0.3	0.3	46	10.0	1.6	0.2	41	18.2	49	4.5
Comerica	44	12.1	9.9	0.1	34	11.3	9.7	4.6	29	19.6	45	6.4
NBD Bancorp	45	12.0	11.1	0.2	39	11.0	10.2	5.4	45	17.0	41	7.6
Northern Trust	46	11.0	10.8	0.1	47	9.9	10.3	4.0	34	19.2	47	5.8
AmeriTrust	47	11.0	9.8	0.0	37	11.0	9.8	8.8	48	14.5	46	6.2
Manufacturers National	48	10.5	8.1	0.2	48	9.4	7.7	3.3	33	19.3	50	2.8
Shawmut	49	10.5	12.8	0.3	42	10.6	14.6	5.5	43	17.1	4	18.6
First Chicago	50	9.6	10.3	0.3	51	8.4	9.2	2.9	38	18.9	51	1.1
Harris Bankcorp	51	9.4	10.2	0.0	50	8.9	10.3	3.9	35	19.2	53	0.4
BanCal Tri-State	52	8.5	4.2	0.3	53	7.0	4.0	1.5	53	12.0	43	7.0
BancOhio	53	8.3	7.3	0.1	52	8.0	7.2	3.4	44	17.0	52	1.1
Fidelcor	54	6.6	15.0	0.4	54	6.3	12.3	6.3	54	8.2	54	–7.8
First Pennsylvania	55	def	def	3.1	55	def	3.0	def	55	6.9	55	P–D
Medians		**14.3**	**13.6**	**0.3**		**11.6**	**11.2**	**5.9**		**19.7**		**11.4**
Industry medians		**14.4**	**13.7**	**0.3**		**11.6**	**11.4**	**5.4**		**20.5**		**11.3**
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
P–D: profit to deficit. def: deficit.

Even so, for the vast majority of banks, which had resisted the temptations Penn Square succumbed to, things so far could have been a lot worse. Of the conspicuous walking wounded at the beginning of 1982, only Braniff has fallen by the wayside as 1983 begins. International Harvester, burdened by bank debt totaling $4 billion, is still staggering gamely on. On the international front, such big borrowers as Mexico and Poland are on life-support machines—but bankers at least were professing hope about the outcome.

The result is that analysts have been pruning back their earlier forecasts of loan loss provisions. According to Jonathan Gray, banking analyst at Sanford C. Bernstein, at the beginning of the year the industry had seemed as if it were headed for average 1982 loan loss provisions of 47 cents per $100 of assets. But Gray reckons, based on a sample of 16 major banks, that the outturn for the industry will be more like 42 cents. That compares with a record 49 cents for the industry in 1975, when it was inundated by a wave of REIT bankruptcies. The bad news is that much of the loan loss impact may still be ahead, and he is now forecasting average provisions of 50 cents for 1983.

The industry's total accumulated loan reserves now average more than 1% of total loans, according to the Arthur Young accounting firm. Is that enough? "It probably is, if the economy has started to recover," says Bud Ward, chairman of Arthur Young's banking committee. "But if the recession goes on, who knows?"

How much damage could International Harvester do if it finally keeps its much-predicted appointment with the grim reaper? Even if it does $800 million, says Jonathan Gray, "the point is that the banks have probably already anticipated much of that in their provisions."

Of course, the banks like to think of their current loan loss worries not as some potential cataclysm but simply as an irritating sideshow that deflects their attention from the real issue—how to fend off the challenge from nonbank entities that are becoming banks in everything but name. For years the banks watched helplessly as money market funds and, more recently, financial service companies like American Express and Merrill Lynch—and even some retailers like Sears and Kroger—lured away their big depositors.

Now the banks have some of the ammunition to defend themselves—they were authorized late last year to launch new money market deposit funds, which allow them to match the high interest rates their nonbank competitors can pay. How effective will it be? Already some analysts doubt whether the new funds are a panacea. According to Lawrence Cohn, banking analyst at Dean Witter Reynolds, many banks run the risk of "cannibalizing" their own deposit base. "The California banks and other regionals are going to find a lot of their customers switching from low-interest accounts to the new accounts," he says. "They'll just be paying more interest for money they already have."

New York money center banks stand to gain the most, Cohn reckons. They have suffered most from the incursions of the money market funds and are already paying the going rate for money. So their strong brand names will ensure more than their fair share of any interest-sensitive money switches back to the banks.

Sanford Bernstein's Gray is betting on what he regards as the industry's Houdini-like ability to get itself out of every jam. "Everyone thinks the industry is helplessly buffeted about by events, but in fact it has a lot of control over its profitability," he says. "If the cost of the banks' funds goes up further, it will only be part of a trend that they have been coping with very successfully since 1978. They have lost money to the money funds; many of their checking customers have switched to NOW accounts; and they have had to introduce money market certificates. In that time they have widened the margin between their prime and what they pay on money market certificates from 149 basis points to 506."

He sees a similar pattern in the industry's response to loan losses. "To the extent that Continental Illinois or Chase gets hit by a Penn Square, Citi and Morgan will benefit," he says. "Penn Square will influence banks' perception of risk, and the next time a wildcat driller goes to roll over its debt, it will not be borrowing at prime. Loan losses are like any other cost of doing business. To focus on them alone is like focusing on an insurance company's claims without looking at what premiums it is charging."

Put it another way: Never bet totally against your friendly banker. No matter how much both of you are hurting, he has a way of coming out at least even. ■

The runner stumbles

For decades, BankAmerica has been called "the world's biggest bank." But is it? In several key measures, its longtime rival, Citicorp, took over the title late in 1982. Consider:

- In total assets, Citicorp now leads, $128 billion to $120 billion.
- In net worth, it's Citicorp $5.35 billion, BankAmerica $4.58 billion.
- In 1982 earnings, it was Citicorp $760 million, BankAmerica $440 million, according to Value Line estimates.

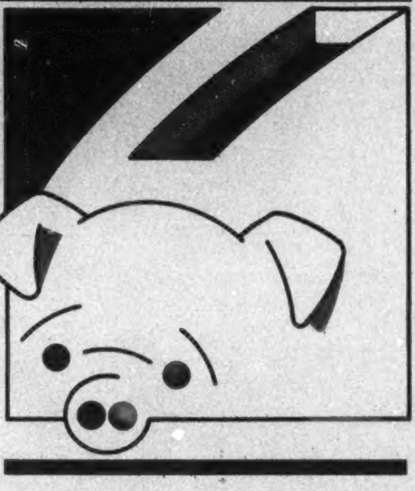
A temporary phenomenon? Maybe. But with interstate banking coming, BankAmerica's natural advantage of its populous California base is being undermined. BofA stumbled last year when its vast real estate loan portfolio went sour along with California's housing boom. To try to support its sagging profits, BankAmerica retrenched on marginal overseas business. This cut total assets slightly—by about $1 billion—while Citicorp's were surging ahead.

Ironically, some of Citi's assets spurt came from taking over troubled Fidelity Savings & Loan of San Francisco, which Citicorp obviously intends to use for an assault on BankAmerica's retail heartland in California. This may hold risks as well as benefits. "They may have added $3 billion in assets but they have taken on a lot more as well," says one BankAmerica executive.

BankAmerica is still $18 billion ahead in pure banking-business assets (disregarding sundry financial services like Citi's traveler's checks and Diners Club).

How much does being the biggest matter? Not much, say BankAmerica officials, predictably enough. But one outside observer, Arthur Young's banking expert, Bud Ward, disagrees. "You bet it matters," says Ward. "Bankers measure themselves by total assets and compete against each other on that score at both the state and national levels."—E.F.

Not everyone is going to make it to the banquet table. But those S&Ls and savings banks that are far-seeing or fortunate enough to get there will savor the feast all the more.



The thrifts

By Eamonn Fingleton

WHAT A DIFFERENCE a year can make. The thrifts, orphans a year ago, have made quite a splash on Wall Street lately. For many, prices have doubled since the gridlock of high interest rates broke in the summer, and a few wonder stocks, like H.F. Ahmanson and First Charter Financial, trebled in little more than three months.

It's a long way from last January, when savings and loans were paying 12½% and more for deposit money to prop up mortgage loan portfolios yielding as little as 9% or 10%. Back then, thrifts were disappearing at the rate of one a day, mainly through takeovers on humiliating terms. As late as June, about 1,000 of the 4,000 S&Ls were grimly calculating that without an improvement in interest rates they would go under by the end of 1983.

But the story of the turnaround is much more than just a cyclical dip in interest rates. The regulators and the politicians were so badly scared by the big 1981 spike in interest rates that seemed close to wiping out the industry that they have been dismantling restrictions wholesale. "The politicians at last seem to be waking up to the fact that the people's right to own their own homes is a pillar of Western democracy," says Mark Taper, chairman of First Charter Financial's American Savings Federal.

A little dramatic, perhaps, but not overstated. The S&Ls have, for instance, gradually been winning greater freedom to charge market rates for mortgages. The rules were relaxed first in California, and since the mid-Seventies, lenders there have been taking increasing advantage. But for the industry elsewhere it was only in 1981 that flexible-rate mortgages became a possibility. Now nearly half of all mortgages at some California associations are on an adjustable-rate basis. But the rest of the industry's average is still low.

The industry also has new powers to solicit funds across state borders—the result of a little-publicized FHLBB regulation permitting thrifts to supplement deposits with such national fundraising efforts as brokered certificates of deposit. According to Kenneth Rilander, senior vice president at Blyth Eastman Paine Webber, the move is the biggest thing to happen to the liabilities side of thrifts' balance sheets since the 1930s, when savings accounts became federally insured. "Now they are no longer imprisoned by territorial rules on deposit-taking," he says. "They can not only operate at a national level but also raise money at the same effective cost of big industrial companies."

Rilander reckons the thrifts raised more than $3 billion this way in the

The thrifts

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Golden West Finl	1	6.9%	def	0.5	1	6.3%	def	def	1	32.7%	2	–16.1%
Gt Western Financial	2	4.8	def	0.4	2	5.1	def	def	4	18.4	1	–12.3
H F Ahmanson	3	3.7	def	0.4	4	3.2	def	def	3	18.6	3	–16.7
First Charter Finl	4	3.3	def	0.8	3	4.6	def	def	5	16.6	4	–19.5
Gibraltar Financial	5	def	def	0.3	5	def	def	def	2	22.6	5	P–D
Imperial Corp of Am		**	def	0.8		**	def	def		**		**
Industry medians		3.7	def	0.5		4.6	def	def		18.6		–16.7
All-industry medians		15.9	12.7%	0.4		11.0	9.3%	3.4%		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit. **Not available; not ranked.

first six months after the rules were relaxed, and could perhaps raise over $10 billion this year. Among the biggest beneficiaries so far are Home Federal of San Diego, Texas Federal, Florida Federal and Far West Savings. In October, Far West, for instance, raised $75 million on certificates yielding about 12.4% on those maturing in 1988 and 12.5% for those due in 1994—less than half a point more than the yield on comparable Treasury bonds.

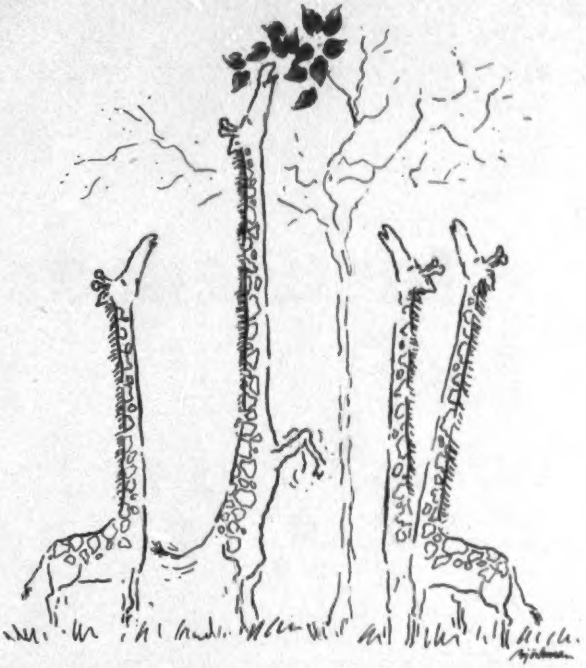
Another victory for the thrifts has been the right to diversify lending outside of residential real estate: In the next few years they will be able to extend up to 10% of total lending in the commercial area and 30% in consumer credit.

"Any conglomerate that wants a back-door way into banking should take a close look at the thrifts. They can now offer personal customers a very attractive deal—perhaps free checking or a free Visa card. In any fair fight for deposits they can hold their own."

In fact, the rules have undergone such a sea change that, according to Jonathan Gray, an analyst at Sanford C. Bernstein, the thrifts are now commercial banks in all but name. "Any conglomerate that wants a back-door way into banking should look closely at the thrifts," he says. Rilander is even more sanguine. "We are seeing the rebirth of the thrift industry," he says. "They can now offer personal customers a very attractive deal—sometimes free checking, perhaps a free Visa card, your salary automatically paid into your account and a loan to buy your next car. So in any fair fight for deposits, thrifts can now hold their own."

He reckons that new mortgage lending should be highly profitable, with the thrifts currently making a margin of three points and more between the adjustable mortgage rate and their cost of funds. Rilander says: "With adjustable rates, real estate lending is a good business—one where the thrifts have a wealth of experience that gives them an edge over commercial banks."

Not everybody will be around to share in the good times, of course. Since 1980, a total of 678 thrifts have been swallowed in mergers. But for the survivors, 1983 could be a very good year indeed. ■



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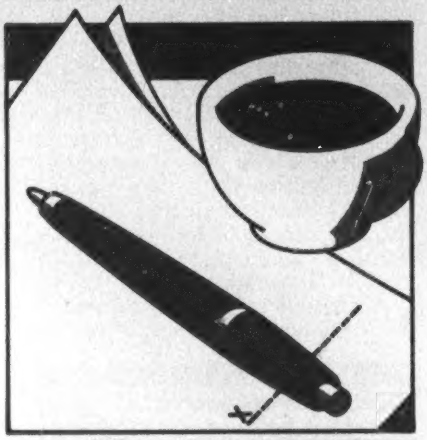
For much of the insurance industry, 1983 will probably be even worse than 1982. Then why have insurance stocks been rising?



Insurance

By John R. Dorfman

PROPERTY AND CASUALTY insurers aren't skating on thin ice anymore; they are skating on cracking ice. For the past four years, they have been engaged in one of their periodic price wars. Last year the average company paid out about 81 cents in claims for each $1 of premiums. Add about 27 cents for company expenses and a penny or two for policyholder dividends, and outgo exceeded premium income, $1.10 to $1.

What has kept the ice from breaking, of course, is investment income—bigger and bigger doses of it each year. That has been enough for the industry to stay in the black—but less so recently. In 1978 the industry's pretax net exceeded $8 billion; in 1983 it could fall below $1 billion. Analyst Denis Callaghan of Dean Witter Reynolds Inc., for example, expects that $1.10-to-$1 figure, which insurers call the combined ratio, to reach $1.13 to $1, an alltime record.

But no longer can insurers count on rising interest rates to bail them out. With rates falling, income will fall substantially this year at some companies. Hardest hit will be smaller, newer firms: High rates were mother's milk to them. At older firms with mature portfolios, investment income will continue to inch up, as old low-yield bonds are replaced with higher-yielding ones. But industrywide, profits will be down, as underwriting losses all but eat up investment returns. And a major natural disaster could throw the industry into the red.

So why have insurance stocks been rising? Simple. Every downtick in interest rates adds billions of dollars to the value of insurers' bond portfolios. That improvement in financial health won't show up on companies' bottom lines. Nor, because of accounting quirks, will it be fully reflected on balance sheets. No matter. When a company's real assets are growing, that company is getting stronger—and Wall Street knows it, even while the industry goes through the keyhole this year.

In fact, most observers think rates should begin to firm in 1983. The first hints are in personal lines. State Farm and Allstate, which between them control about a quarter of the auto insurance market, have already hiked prices a little. Another harbinger: In the reinsurance market, buyers are getting more concerned with reinsurers' financial strength, less concerned with price. On commercial lines, especially commercial multiperil, however, price wars are continuing unabated. Meanwhile, workers-compensation revenues are hurting because of high unemployment.

Winter storm in Chicago
Disasters could be the difference.

On the life and health side of the insurance business, things are better than on the property and casualty side. Last year saw profit declines at many companies, but they were relatively moderate, and in 1983 a modest rebound seems in store.

But life insurance has some long-term problems. It has looked increasingly unattractive to consumers in recent years. Many buyers have switched to term insurance (death protection only) and do their investing elsewhere. For similar reasons—high interest rates—policyholders have been borrowing on their policy cash values to reinvest elsewhere. To fork over the cash, companies have had to sell bonds at a loss. That can be dangerous: Some analysts have built doomsday scenarios on a continuation of the trend.

Interest rates have fallen in time to avert doom, and insurers are now protecting themselves by putting variable-rate loan clauses in their contracts. The overall decline in interest rates may also make whole life more attractive. And the industry is grabbing some of its lost dollars back through new investment-oriented products like universal life. These will help, but the odds are life insurance will never get back to the good old days. Overall, says Callaghan, "The life insurance industry's share of the disposable dollar has now been falling for close to 20 years and will probably continue to decline."

In fact, the major growth lately in the life/health area has been in group health insurance, an efficient system compared with individual coverage, and structured so that insurers needn't wait overly long to recover the expenses of rising health care costs. Profits from group health, figures A. Michael Frinquelli of Salomon Brothers, will lead the life/health segment to its modest recovery.

What about pensions and annuities? The recent vogue for single-premium deferred annuities is another fad that's fading with high interest rates. Life insurers have been managing a lot of pension money, but they will lose some if the stock market continues to be strong. "Insurers,"

says analyst Frinquelli, "have historically been known as good debt managers, but as less good equity managers."

A larger question may be when the next kamikaze price war will start, now that the industry is paying the piper for this one. Will insurers ever learn to resist this suicidal cycle? Probably not. Says CIGNA Corp. Chairman Ralph Saul: "Some people feel it will take a major insolvency or a major catastrophe" to restore pricing sanity to the industry. ■

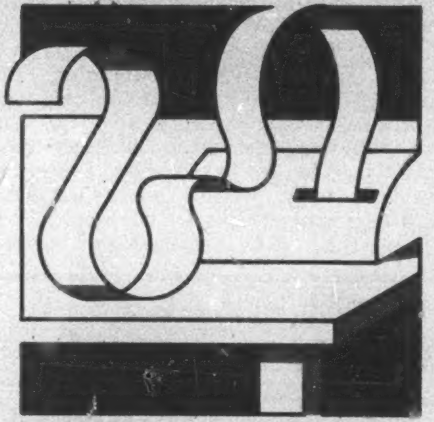
Insurance

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Life and accident												
First Executive	1	39.0%	29.0%	0.3	1	22.9%	19.9%	1.3%	1	94.4%	1	90.0%
Combined Internatl	2	20.7	17.1	0.0	2	20.5	17.4	8.2	5	15.1	8	10.8
American Family	3	16.4	10.5	0.1	4	15.1	7.2	3.7	2	30.2	15	5.0
USLIFE	4	15.5	12.4	0.4	10	12.4	10.0	9.7	9	11.8	11	9.5
Gulf United	5	15.5	13.6	0.6	8	12.7	9.7	7.9	3	21.0	5	12.9
Provident Life & Acc	6	15.5	11.0	0.0	3	15.4	10.9	5.9	14	4.9	7	11.2
Business Men's Assur	7	15.1	9.2	0.0	6	14.0	9.0	7.3	14	4.9	2	35.6
Capital Holding	8	14.0	14.2	0.5	5	14.0	11.7	8.5	6	14.5	6	11.3
Jefferson-Pilot	9	13.3	10.7	0.0	7	13.1	10.7	9.6	11	10.2	10	10.2
Torchmark	10	12.7	12.0	0.4	11	12.3	9.2	9.1	7	12.6	13	9.0
American Natl Ins	11	12.5	9.5	0.0	9	12.4	9.5	9.4	13	8.3	4	15.0
Washington National	12	11.9	7.7	0.0	12	10.8	7.5	2.7	8	11.8	12	9.2
Nationwide	13	10.2	8.6	0.0	13	10.5	8.7	4.6	12	10.0	9	10.2
Equitable of Iowa	14	9.3	4.5	0.2	14	8.8	5.9	2.7	4	18.2	14	6.6
PennCorp Financial		**	12.8	0.4		**	10.7	8.6	10	10.6	3	18.2
Medians		14.6	11.0	0.1		12.9	9.7	7.9		11.8		10.8
Fire and casualty												
GEICO	1	46.5%	30.1%	0.6	2	23.9%	21.0%	9.0%	14	4.8%		D–P
Mission Insurance	2	31.8	23.0	0.1	1	26.6	20.9	10.6	1	28.4	1	35.3%
Ohio Casualty	3	22.9	13.7	0.0	3	22.5	13.6	7.0	7	15.4	7	20.2
Crum & Forster	4	22.8	15.3	0.0	5	22.0	14.8	7.0	11	12.7	4	24.6
General Re	5	22.6	20.5	0.0	4	22.1	20.4	13.2	5	17.3	3	24.7
USF&G	6	21.0	8.5	0.0	6	21.1	8.6	4.9	10	13.2	9	19.1
American Express	7	20.7	20.3	0.5	9	17.8	16.3	7.1	4	17.8	10	16.4
Kemper	8	19.7	11.7	0.0	7	20.0	12.1	3.7	2	22.2	6	21.6
Hanover Insurance	9	19.1	12.9	0.0	8	18.6	12.8	5.7	9	14.5	5	22.0
Republic Finl Svcs	10	18.3	15.0	0.2	11	14.7	13.4	5.5	8	15.0	12	16.0
Chubb	11	17.9	11.5	0.1	10	16.7	10.7	5.1	12	9.6	8	19.6
City Investing	12	15.2	8.9	1.3	14	9.8	8.7	1.6	6	16.9	11	16.1
Continental Corp	13	13.1	7.8	0.0	12	12.2	7.7	4.6	13	9.2	13	11.9
Berkshire Hathaway	14	11.2	5.9	0.2	13	10.1	6.5	6.8	3	19.1	2	27.7
Medians		20.2	13.3	0.1		19.3	13.1	6.3		15.2		20.2
Multiple line												
Teledyne	1	32.3%	21.9%	0.3	1	23.4%	16.7%	12.5%	12	9.7%	1	35.4%
Loews	2	23.0	18.7	0.5	12	12.2	11.4	5.0	4	15.4	2	25.5
American Intl Group	3	22.9	20.2	0.0	3	21.6	19.5	11.3	1	22.7	3	23.5
Old Republic Intl	4	22.6	18.6	0.2	2	22.1	16.0	10.4	3	18.1	4	22.2
CNA Financial	5	21.7	13.9	0.2	11	12.4	11.0	4.4	13	8.3		D–P
Aetna Life & Casualty	6	19.0	14.3	0.1	5	17.4	14.2	3.7	6	14.6	6	18.9
Farmers Group	7	19.0	17.0	0.0	4	18.7	16.8	19.9	5	14.8	8	17.2
St Paul Cos	8	18.0	16.2	0.1	6	16.3	15.1	8.5	9	12.1	13	15.5
American General	9	17.9	15.2	0.1	8	15.2	14.6	7.1	10	11.1	7	17.8
Safeco	10	16.9	12.8	0.3	9	13.9	10.9	7.5	7	12.8	5	19.3
Travelers	11	16.0	11.1	0.0	7	15.3	10.9	2.8	11	10.5	9	17.1
Colonial Penn Group	12	13.5	8.2	0.0	10	13.5	8.2	2.0	2	20.3	12	–2.1
Lincoln National	13	12.1	9.0	0.1	13	11.0	8.7	3.8	8	12.6	11	11.1
CIGNA		**	19.3	0.1		**	18.5	7.3		**		**
Medians		19.0	15.7	0.1		15.3	14.4	7.2		12.8		18.4
Industry medians		17.9	12.9	0.1		15.2	11.0	7.0		13.9		17.2
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
D–P: deficit to profit; not ranked. **Not available; not ranked.

Hasn't anyone here heard of Glass-Steagall? The banks seem to be ripping it to shreds in their rush to buy into Wall Street.



Brokerage

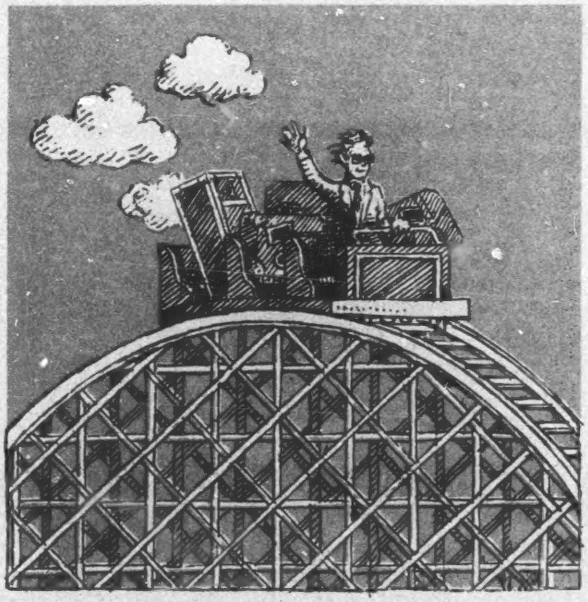
By Richard L. Stern with Laura Saunders

BANK OF AMERICA bids to acquire discount broker Schwab & Co.; Union Planters National Bank, First Union Corp. and Security Pacific pick up discount brokers of their own. A half-dozen S&Ls get approval from the Federal Home Loan Bank Board to establish broker/dealer subsidiaries. Bankers Trust takes Wall Street to court to win the right to underwrite commercial paper.

Hasn't anyone here heard of Glass-Steagall, the 50-year-old New Deal law that is supposed to separate commercial banking from brokerage and investment banking and keep the bankers from wheeling and dealing on Wall Street with your checking account deposits? Apparently not. The banks have been attacking or circumventing Glass-Steagall on regulatory and legal fronts all over the country.

But Wall Street can be tricky for the outsider. Some of the big U.S. corporations that bought into The Street a year earlier could testify to that. Dean Witter Reynolds was barely profitable during the first half of 1982; parent Sears, Roebuck dispatched one of its own, Philip Purcell, to be president. Prudential hired George Ball away from rival E.F. Hutton to shape up its 1981-acquired Bache subsidiary.

Significantly, the banks are invading Wall Street through the discount brokerage window. Yet, as Drexel Burnham Chairman Robert Linton, chairman of the Securities Industry Association, points out, discounting represents only about 10% of Wall Street's commission revenues—$160 million out of $1.6 billion in 1982's first half, for example. "There are 20,000 banks and S&Ls out there," says SIA Senior Vice President Donald Crawford, "and discounting is not much of a pie for all of them to share." But there's a battle shaping up here. With a lower fee structure and with a vast network of offices and computers, the banks may be in a position to broaden that market share by a wide margin. It will be quite a fracas.



While the bankers move in, the country's ten largest investment bankers are further concentrating their power. They earned almost two-thirds of the securities industry's $462 million in pretax profits for the first half, and the top five managed 70% of the issues brought under SEC Rule 415, which speeds up corporate issues. The 25 largest securities firms now control nearly three-fourths of the total capital of the country's hundreds of brokerage and investment banking houses. The bankers won't find Wall Street easy pickings.

But it's still easy to see why the bankers want a piece of the action. Wall Street is the same old roller coaster it always was, but when the coaster turns up the ride gets exhilarating. When the stock market turned in late summer the upside leverage was terrific. First Boston rang up record earnings, 50% greater than ever before in its history. Says E.F. Hutton's Chairman Robert Fomon happily: "October was a great quarter."

The fast-moving markets and high volume that brought all this about could work against The Street, however, if the market turns dull again. The reason is that operating costs are spiraling and so are capital requirements. Suddenly, a 45-million-share day is merely break-even for some houses, while a few years ago it meant a 20% return. What's a 20% return these days? "About 75 million shares," says Prudential-Bache's Ball. In today's economy what goes up doesn't necessarily have to come down again--not when it's a matter of operating costs.

Yet despite these hazards, the invasion by the banks goes on. Legislation in Congress last year would have permitted the banks into almost everything but the outright underwriting of equities. The bills failed, but they will probably be back in one form or another.

While the banks invade The Street, though, The Street has mounted a counterattack. Merrill Lynch Cash Management Accounts, and similar services offered by others, amount, of course, to interest-bearing checking accounts with collateralized loan privileges. At least two brokers have already acquired banking institutions—Dean Witter owns an S&L through parent Sears, and Shearson indirectly acquired a bank in Boston, disposing of its loan portfolio to make the acquisition legal.

In fighting back, the brokers can be expected to make much of bankers' follies like Penn Square, Chase's Drysdale Securities problems and loans to the Third World. Can the wonderful folks who lent depositors' money to Poland and Zaire be trusted with your investment dollars? You can expect to hear lots of arguments like that. But then Wall Street is not faultless either. The fracas is going to be fun. And isn't competition always a good thing? ■

Brokerage

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
E F Hutton Group	1	27.5%	17.9%	0.4	1	24.0%	16.8%	4.3%	3	33.8%	1	28.2%
First Boston	2	20.8	37.1	0.1	2	20.9	37.7	6.3	2	41.3	2	19.8
Merrill Lynch	3	18.3	18.2	0.4	3	15.4	14.9	4.8	5	26.3	3	18.8
Paine Webber	4	12.8	24.5	0.7	5	10.5	17.2	3.2	4	32.8	4	11.6
Donaldson, Lufkin	5	11.3	14.8	0.7	4	10.5	12.1	2.7	1	41.8		D–P
Industry medians		18.3	18.2	0.4		15.4	16.8	4.3		33.8		19.3
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
D-P: deficit to profit; not ranked.

General Instrument Microelectronics, New York. Investing $17 million to double the size of their micro-chip fabrication plant.

Coors Ceramics UK Limited. Making impressive inroads from Glenrothes into the multi-million dollar European technical ceramics market.

Rodime P.L.C. European manufacturers of 5¼ inch Winchester disc-drives. Making history by exporting computer technology to the U.S.A.

Brand Rex, cable specialists of Connecticut. Investing $3.4 million in factory extension and new machinery.

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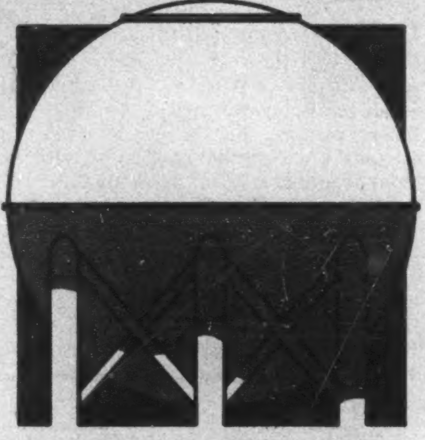
That huge offshore California oil strike may get the headlines; but given the state of the world crude market, the $40 billion that U.S. oil companies are investing in refining and marketing may mean more to their future.



Energy

By Anne Bagamery

HOW DOES A BIG corporation bring a key downstream operation back nearly from the dead? Ask Phillips Petroleum. Like many another oil company, Phillips watched its refining and marketing margins squeezed to nothing two years ago between rising crude prices and falling demand for gasoline. But last year, Phillips made an estimated $40 million on refining while much of the industry was still bleeding. "Incredible," says a rival executive. "Just a little belt-tightening," drawls Dick Robinson, Phillips' vice president for refining.

Some belt-tightening. Phillips shut down 23% of its 380,000 barrels-a-day refining capacity, reduced the work force by 12% and spent $1 billion to equip two big Texas refineries to process cheaper grades of crude.

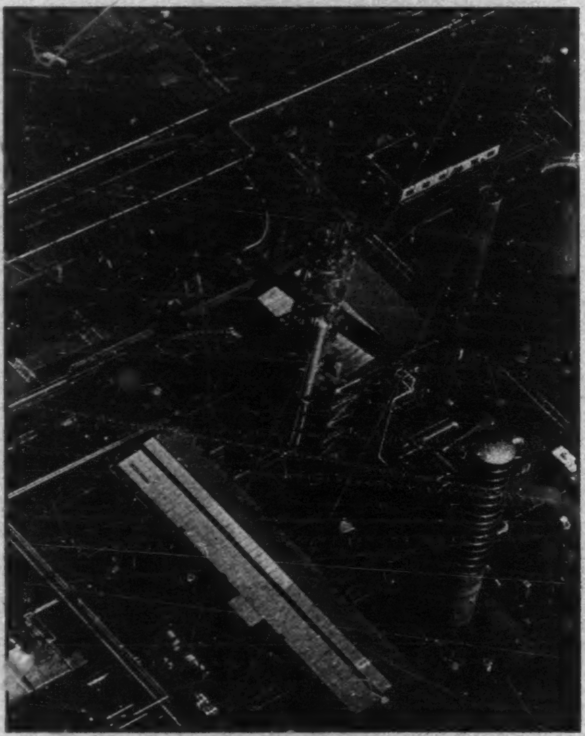
It's a real lesson in successful downsizing. And Phillips is not alone. After years of taking a back seat to wildcatters and geologists, the oilmen who run U.S. refining and marketing operations are fast becoming the Brahmans of the business. In most cases, they have turned dogs into profit centers by applying the most basic principles: Cut out fat, spend liberally for efficiency. Says Ronald Jones, refining director of the American Petroleum Institute: "This is one area of real industrial leadership in America."

Look at some numbers: In 1980 U.S. refining capacity stood at 18.7 million barrels a day. Some 500,000 of that was in "teakettles" built under the old entitlements program to break down high-grade crudes for conversion into gasoline and other fuels. By 1982, however, the oil companies had permanently shut down 3.1 million barrels a day, or 16.6%—more than matching a 10% drop in gasoline consumption in the same period. The teakettles have either disappeared or been modernized, and many in the industry think another million barrels or so of capacity—mostly east of the Rockies and north of the Sunbelt—will be phased out by the end of this year.

Just as important, in 1980 less than 30% of the industry could process the "sour" sulfurous crudes that now constitute the bulk of the world's known reserves and sell for $2 to $10 a barrel less than "sweet" crudes like Saudi Arabian light. By the end of 1982 close to 50% of the industry had heavy-sour capability, thanks to some $20 billion in capital spending by integrated companies and independents alike, who are committing another $20 billion to finish the job by 1986.

In marketing, the industry is being equally aggressive. Majors like Texaco and Amoco are closing service stations in low-volume areas. Arco doesn't issue credit cards, while Gulf and others collect fees on charge purchases and discount for cash. Crown Central is even installing automated bank teller machines in some of its stations to drum up business. And nearly everyone is ripping out full-service islands to make way for self-service pumps and kiosks that sell everything from fan belts to microwave cheeseburgers.

"The wild card of the 1980s could be the downstream operations," predicts analyst Bernard Picchi of Salomon Brothers. "The question is no longer whether improvement will occur, but when."



Chevron U.S.A.'s refinery at Richmond, Calif.
Turning some dogs into profit centers.

There is strong evidence that 1983 could be the year. Consider:

- With all the shutdown capacity, refineries are running, on average, at 73%. Closing down another million barrels a day would boost that figure to close to 80%, the level at which economies of labor and energy begin to take effect.
- Upgrading projects scheduled for completion this year will convert another 1.5 million barrels a day to heavy-sour capability. That's bound to cut drastically the price refiners pay for feedstock—and, therefore, boost refining margins. Texaco, for example, figures it will improve its margins by $3 a barrel just by being able to run heavy-sour crude through four newly modernized plants--a move that could add as much as $770 million to Texaco's gross profits by 1986.
- While gasoline demand will probably remain flat, thanks to conservation, demand for diesel and jet fuels should pick up when the economy recovers.
- Since crude prices are expected to remain soft, independent refiners—those without a captive supply of feedstock—should benefit by being able to shop around.

Of course, one of the reasons downstream is looking better these days could be that upstream is looking worse, at least in the near term. True, U.S. companies will continue spending, albeit more selectively, to build up their dwindling reserves, and bidding for top geologists will always be hotter than west Texas in July. But as long as product prices remain flat, companies will probably find it more sensible to leave the oil in the ground

Energy

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
International oils												
Occidental Petroleum	1	29.2%	9.0%	0.3	3	15.1%	7.7%	2.0%	4	18.5%	4	13.0%
Phillips Petroleum	2	20.5	11.8	0.2	1	15.8	9.1	4.1	1	19.7	1	16.7
Exxon	3	19.5	15.0	0.1	4	14.4	10.6	4.0	6	15.6	5	11.9
Standard Oil Calif	4	19.1	12.0	0.1	2	15.2	9.6	3.9	5	16.1	3	15.3
Mobil	5	18.4	10.7	0.2	5	13.4	8.2	2.4	3	19.1	2	15.7
E I du Pont	6	15.7	9.8	0.6	6	12.7	6.7	3.1	1	19.7	6	11.7
Texaco	7	15.7	10.7	0.2	7	11.7	8.7	3.0	7	14.7	7	9.8
Gulf Oil	8	13.3	9.3	0.2	8	10.8	7.2	3.1	8	10.5	8	6.8
Medians		18.8	10.7	0.2		13.9	8.5	3.1		17.3		12.5
Other oil and gas												
Tosco	1	56.4%	48.8%	1.1	4	17.4%	21.5%	3.6%	7	33.8%	1	56.6%
Consol Petroleum	2	50.0†	def	1.0	39	5.7††	def	def	1	84.0‡	40	–35.3‡
Standard Oil Ohio	3	42.8	31.7	0.6	2	20.0	19.3	14.5	11	30.4	2	47.9
Charter	4	39.5	5.9	0.5	1	22.6	8.7	1.2	12	29.9	5	30.1
Mitchell Energy & Dev	5	37.2	24.6	1.2	20	13.0	9.0	9.2	3	38.8	3	30.9
Superior Oil	6	34.8	12.4	0.4	25	11.2	6.4	12.7	10	30.9	6	29.7
Texas Oil & Gas	7	32.4	35.3	0.5	7	16.0	17.0	13.2	8	32.1	4	30.7
Tesoro Petroleum	8	28.9	13.4	0.0	8	15.7	10.2	2.0	16	26.9	10	21.2
Dorchester Gas	9	27.7	12.1	0.8	5	17.0	7.8	1.5	2	81.4	7	26.2
Ashland Oil	10	27.5	14.5	0.5	12	14.4	9.0	2.0	36	15.4	14	18.3
Pennzoil	11	27.4	17.1	0.6	15	13.6	9.7	8.1	28	17.9	19	14.7
Belco Petroleum	12	23.8	20.2	0.1	3	18.5	15.4	31.3	39	11.3	9	22.1
MAPCO	13	22.5	15.3	0.8	23	12.4	8.6	4.2	5	34.5	28	8.4
Natomas	14	22.1	9.0	0.9	9	15.6	6.0	6.2	9	31.4	18	15.2
Louisiana Land	15	21.6	8.7	0.4	6	17.0	5.5	6.0	17	25.9	29	6.8
Atlantic Richfield	16	21.3	19.7	0.4	16	13.6	12.1	6.3	22	22.3	8	22.4
Murphy Oil	17	21.2	19.8	0.3	19	13.0	13.0	6.1	30	17.3	13	19.6
Crown Central Petroleum	18	20.7	8.5	0.5	22	12.6	5.9	1.0	20	22.8	11	20.6
Holly Corp	19	20.1	18.8	0.3	11	14.4	12.3	2.0	14	28.4	16	16.4
Union Oil California	20	19.9	19.8	0.3	14	13.8	14.1	7.5	38	13.4	20	14.6
Standard Oil Indiana	21	19.5	16.9	0.3	13	13.8	11.5	6.0	27	18.2	21	14.2
Shell Oil	22	18.8	17.6	0.3	18	13.2	11.8	8.1	32	16.8	17	16.0
Sun Company	22	18.8	11.0	0.4	17	13.2	7.6	3.5	21	22.4	23	12.9
Getty Oil	24	18.8	14.9	0.1	10	14.8	11.1	5.5	19	25.3	12	20.4
Amerada Hess	25	18.1	7.0	0.6	21	12.8	4.6	2.0	34	16.6	24	12.1
Pacific Resources	26	17.1	6.6	1.4	29	10.1	5.0	0.4	15	27.1	22	14.1
Tenneco	27	16.7	14.6	0.7	33	9.6	7.6	5.1	29	17.7	31	6.7
Suburban Propane Gas	28	16.4	14.6	0.5	28	10.2	9.5	2.9	25	19.7	25	12.0
American Petrofina	29	16.2	10.4	0.4	26	11.2	8.0	2.5	35	16.2	32	6.5

Note: Explanation of Yardsticks calculations on page 50.

† Four-year average. †† Three-year average. ‡ Four-year growth. def: deficit.

Safari time

Variation on an old joke: Where does a 500-million-barrel elephant sleep at night? An elephant, for the uninitiated, is a gigantic oilfield, like Prudhoe Bay in the Alaskan North Slope or Point Arguello off the California coast. These days, elephants are an endangered species; experts think most of the world's remaining reserves of oil lie in smaller deposits or in hard-to-get-at formations.

Lately, elephant-hunting has taken on an added urgency because U.S. companies badly need to bulk up their proved reserves, which even at today's depressed production levels will start to run out in 9.5 years (vs. 69 years for OPEC countries). At the same time, drilling costs are rising and companies are holding or cutting back exploration budgets in the face of slack demand for crude. What does this indicate? "Companies need to hit more often, and they need to hit bigger," says Stephen Chamberlain of the American Petroleum Institute.

The best elephant-hunting is not onshore in the U.S. and probably not onshore anywhere else in the world. Offshore, the Alaskan North Slope is still considered a hot prospect; experts think it could yield another billion-plus find like Prudhoe Bay and several multimillion-barrel fields. Chances are also good off Indonesia and Australia, where geologists think lie 10 billion to 20 billion barrels yet to be discovered; or off South America, central and southern Africa and in the North Sea.

Oilmen are also excited about the Cauvery-Godavari basins off the west coast of India, which last year produced both oil and gas after years of being considered unproductive. China, both onshore and offshore, is largely untested but last year was the subject of furious bidding by U.S. and foreign companies alike. Experts think the bidding will remain hot and heavy this year.

Trying to hit bigger, of course, means bigger risks. The average offshore well costs $4 million—vs. around $400,000 onshore—and drilling in choppy seas and sub-Arctic temperatures can be brutal.

The threat of future expropriation hangs in the air, too, whenever U.S. companies drill on foreign turf—although the world political environment seems to be getting friendlier. After a disappointing round of bidding early last year, Brazil is revising the terms of its exploration and production contracts. Other countries, like Ecuador and the Ivory Coast, are extending time periods and increasing foreign drillers' share of the proceeds. Says John Sawhill, former Deputy Secretary of Energy, now a McKinsey & Co. consultant: "With new loans to non-OPEC developing countries declining, those governments really need foreign investment." Good news for elephant hunters.—A.B.

Energy

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Sigmor	30	16.0%	def	1.0	24	12.2%	def	def	4	37.7%	30	6.7%
Marion	31	15.9	def	0.8	27	10.5	def	def	6	34.0	33	5.1
Diamond Shamrock	32	15.2	12.6%	0.5	31	9.8	8.0%	5.0%	24	19.7	38	−1.4
Union Pacific	33	14.3	12.0	0.4	34	9.2	7.2	6.3	23	21.4	15	16.8
Kerr-McGee	34	14.2	13.3	0.5	30	9.8	8.0	5.3	37	14.2	27	8.7
Quaker State Oil	35	13.8	15.9	0.4	32	9.7	11.0	4.0	26	18.9	36	2.6
Empire	36	13.5	12.2	1.1	35	8.9	7.4	1.7	18	25.7	26	11.2
Allied Corp	37	12.0	11.6	0.3	36	8.2	8.4	4.4	31	17.1	34	4.8
Coastal Corp	38	11.8†	7.9	1.0	38	7.5†	7.1	0.8	13	29.8	37	−1.2
Cities Service	39	10.2	8.0	0.6	37	7.7	5.8	2.1	33	16.6	35	3.0
United States Steel	40	5.7	1.5	0.3	40	5.0	2.7	0.6	40	10.0	39	−8.0
Commonwealth Oil Rfg	41	def	def	13.5	41	def	def	def	41	2.5	41	D–D
Medians		18.8	12.6	0.5		12.8	8.0	4.0		22.4		14.2
Coal												
North American Coal	1	15.6%	26.3%	7.7	2	6.8%	6.9%	4.3%	1	13.2%	1	11.6%
Eastern Gas & Fuel	2	12.1	14.9	0.5	1	7.3	8.3	5.2	2	11.9	2	1.7
Pittston	3	7.8	7.7	0.2	3	6.6	6.4	2.1	3	9.8	3	−15.0
Westmoreland Coal	4	0.4	8.6	0.4	4	1.5	6.9	2.4	4	4.6	4	−56.1
Medians		10.0	11.8	0.5		6.7	6.9	3.4		10.9		−6.7
Industry medians		18.8	12.1	0.5		12.7	8.0	3.6		19.7		12.9
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
† Four-year average. D-D: deficit to deficit. def: deficit.

for the time being. In fact, one reason Standard Oil of California (Chevron) is so excited about its piece of the potential billion-barrel Point Arguello find off Santa Barbara is that the oil won't begin to flow until 1986 or so. "I don't quite know what we'd do with it now," says Will Price, Chevron U.S.A.'s senior vice president for downstream operations.

What's more, the taxman plays a role in spoiling the party upstream. Oil companies traditionally book their profits at the wellhead, which is why windfall profits and other taxes take up to 67 cents of every upstream dollar. Downstream operations, meanwhile, benefit from the tax breaks that derive from all that capital spending. "And if Reagan needs extra tax revenue this year for defense, you can bet the wellhead is one of the first places Congress will look," adds energy tax specialist Frank Burke Jr. of Peat Marwick. Politicians, apparently, still think oil companies make "obscene" profits.

It's timely, too, that refining and marketing are becoming healthier than at any time in memory. The fact is, from now on they will have to be. The old strategy, of course, was to absorb losses, if necessary, on refining and service stations in order to maximize production upstream. Now, as analyst Sanford Margoshes of Shearson/American Express points out, "each segment must stand on its own." Some of the smarter companies realized that long ago. Shell was one of the first to spend big on refinery upgrading—some $400 million in the 1960s on its plants in Texas, Louisiana and Missouri. Shell and Exxon were early to convert service stations to self-service.

Every year the mix of crudes gets heavier and sourer. That's especially true of reserves that lie offshore and in the virgin provinces, like China, where U.S. companies are increasingly involved *(see box, opposite)*. So oilmen know it's too soon to claim absolute victory downstream. They know, for example, that at least another million barrels in refining capacity could go over the next few years, and that competition for a shrinking gasoline dollar will only get worse, especially from nonoil-company retailers like 7-Eleven owner Southland Corp., which is installing pumps at its ubiquitous convenience stores. "All we're going to do in the near future," says Shell Fuels Logistics Manager Leonard Goldstein, "is continue to learn to do more with less." These days that's certainly nothing to apologize for. ■

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(Plus accumulated dividends, if any, from date of original issue)

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After March 31, 1983, the dividend rate will be reset quarterly. It will be equal to .25% below the Applicable Rate. The Applicable Rate for each dividend period, determined in advance of such period, will be the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Twenty Year Constant Maturity Rate. However, the dividend rate for any dividend period will in no event be less than 7% per annum or greater than 15% per annum.

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November 24, 1982

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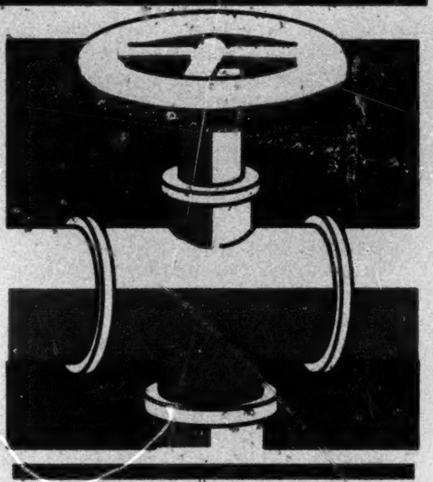
Whatever happened to LNG as an alternative energy supply? It's just about dead—except for one enormous albatross around the neck of Texas' Panhandle Eastern Corp.



Natural gas

By William Baldwin

Back in the early Seventies, it seemed to make sense. In retrospect, it was one of the worst ideas ever: Buy up trillions of cubic feet of liquefied natural gas in Algeria and ship it to the U.S. in special refrigerated tankers.

In September Panhandle Eastern, a Houston-based pipeline company, began taking deliveries of Algerian LNG under a contract that runs for another 20 years. If the contract holds up, the company will be spending $1.1 billion a year for energy that is worth only $750 million a year to the U.S. But there's a fair chance that, under orders from the Federal Energy Regulatory Commission, the project will meet the same fate as an earlier one by El Paso Co. and be scrapped. That would leave only one working LNG import deal: a small project run near Boston by Cabot Corp. and supplying only winter peak-load gas.

How did Panhandle get into this mess? It was only responding to the tortured economics of federal gas regulation. First there were three decades of price ceilings, which so discouraged exploration that by the mid-Seventies the U.S. had a bad natural gas shortage. That was followed by a partial deregulation in 1978, which tempted the pipelines to overpay for new supplies because the cost could be rolled into a base of old gas maintained at artificially low prices. Now there's a gas glut.

If Panhandle honors the contract, it will be paying just under $4 per thousand cubic feet (mcf) for LNG in Algeria, having it hauled to the U.S. and converting it back into gas to be injected into one of its pipeline systems in Lake Charles, La. All in all, transportation and regasification would add about $3 per mcf to the price, for a total price tag of just over $7, on a contract volume of 165 billion cubic feet a year.

Panhandle doesn't like to talk about that $7 cost. Why? Because the gas is worth only about $4.50 at the burner to the many industrial users who can burn low-grade fuel oil instead. Panhandle focuses on its average selling price which would range from $3.79 to $4.38 if FERC permitted recovery of the LNG outlays. Even with a distributor's markup, those prices are competitive with fuel oil in many areas.

Liquefied-gas tanker arriving at Lake Charles, La.
An expensive way to fuel industrial boilers.

But economists argue that *average* costs are the wrong way to look at an energy supply. What matters is *marginal* costs: what the last drop of energy costs to get, what the last customer in line is willing to pay. The fact remains, says Henry Jacoby of MIT, that the LNG deal displaces $4.50 fuel oil with $7 imports. It's irrelevant that Panhandle has some cheap supplies, too, or that Panhandle gas is used by some homeowners to whom it may be worth $10. The only possible rationale for taking the LNG, Jacoby says, is the expectation that if the Algerians are overpaid now, they will gratefully furnish bargain gas in five or ten years, when the U.S. may be desperate for additional supplies.

That doesn't seem likely. In the earlier, and since scuttled, LNG deal, the Algerians stung El Paso Co. with an attempted 200% price increase after El Paso and its three pipeline customers had spent over $1 billion on LNG tankers and port facilities. And only last summer—even as the U.S. was drowning in a gas glut—the Algerians forced Panhandle to agree to a 70% acceleration in the rate at which the $4 base price escalates with future crude-oil prices.

If the energy is worth $4.50 per mcf in the U.S. and costs $3 to get here, it is, logically, worth only $1.50 FOB Algeria. But it's unlikely the Algerians would agree to a drastic price cut, since they are probably spending at least $2 an mcf just to liquefy the gas. "With few exceptions, LNG projects don't make any sense," says Bijan Mossavar-Rahmani, a former Iranian delegate to OPEC who is now at Harvard. Utilities and industrial users on the Panhandle system agree: They are asking FERC to invalidate the Algerian contract.

But getting rid of the albatross will mean big writeoffs on both sides of the Atlantic. On this side, there is the $150 million annual cost of mothballing and amortizing Panhandle's Lake Charles terminal, plus the near-total loss of $375 million sunk in two U.S.-owned LNG tankers. The company could make a strong case that it shouldn't pay the entire tab since, after the gas shortages of the past decade, government regulators and utilities egged the pipelines on in a pay-anything hunt for supplies: deep-well gas, gas from coal and imported LNG. In fact, some of the same users complaining about the high-price gas now are also involved in $2 billion worth of lawsuits against various pipelines for the gas curtailments in the Seventies. Damned if you do, damned if you don't.

Panhandle's problem looks like a disaster for almost all involved—but not quite all. There are 80 parties and intervenors in the federal proceedings, and plenty to fight over. It means, says one FERC attorney, "megadollars for the lawyers." ■

Natural gas

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Producers and pipeliners												
Panhandle Eastern	1	20.1%	17.9%	0.8	3	10.5%	9.2%	7.0%	3	26.9%	3	14.1%
SONAT	2	19.7	20.9	0.6	1	11.5	11.3	7.6	5	25.2	2	16.0
Transco Energy	3	19.3	20.9	1.0	8	8.1	9.0	4.2	1	32.0	1	17.8
Texas Eastern	4	18.8	16.1	0.5	5	9.7	7.9	3.9	6	23.2	5	13.1
Texas Gas Transmn	5	18.7	17.6	0.5	4	10.5	10.2	3.9	7	22.1	4	13.6
ENSERCH	6	18.3	18.0	0.6	2	10.9	11.2	4.8	2	27.1	6	10.4
Tenneco	7	16.7	14.6	0.7	6	9.6	7.6	5.1	9	17.7	7	6.7
Midcon	8	14.3	14.3	0.5	7	8.9	9.4	4.0	4	25.5	8	6.4
El Paso	9	8.4	19.7	1.4	9	4.9	8.2	2.7	8	19.9	9	–20.2
Medians		**18.7**	**17.9**	**0.6**		**9.7**	**9.2**	**4.2**		**25.2**		**13.1**
Pipeliners and distributors												
Celeron	1	36.2%	24.8%	0.3	1	22.5%††	15.6%	6.7%	1	40.2%‡	1	36.5%‡
Pioneer	2	31.1	18.6	0.5	3	16.9	10.7	5.8	4	22.5	3	21.8
United Energy Resources	3	28.5	24.4	0.3	2	19.1	16.0	3.8	2	33.7	2	28.3
Houston Natural Gas	4	25.0	24.8	0.3	4	15.4	16.6	8.3	5	22.5	4	19.1
Valero Energy	5	21.3	24.4	0.6	5	10.6	11.3	4.2	11	18.7		D–P
Arkla	6	20.3	21.6	0.4	6	10.5	11.4	7.4	6	22.4	6	11.5
InterNorth	7	18.3	15.1	0.5	7	10.5	9.2	5.0	8	20.2	7	10.9
Am Natural Resources	8	18.2	21.7	0.9	8	9.1	9.5	5.7	3	22.6	5	11.9
Northwest Energy	9	15.7	5.0	0.8	9	8.6	3.8	1.7	7	20.6	8	9.5
Columbia Gas System	10	13.9	13.5	0.8	11	7.8	7.7	3.7	10	19.3	9	6.9
Mountain Fuel Supply	11	13.0	15.4	0.7	10	8.4	9.3	7.8	9	20.0	10	4.7
Medians		**20.3**	**21.6**	**0.5**		**10.5**	**10.7**	**5.7**		**22.4**		**11.7**
Distributors												
Entex	1	25.5%	21.6%	0.7	1	13.3%	11.5%	4.2%	1	27.5%	1	20.6%
Oneok	2	19.6	19.9	0.7	2	11.4	12.6	5.0	2	23.7	2	11.2
Southern Union	3	18.0	9.1	0.5	3	10.3	6.8	2.2	5	21.9	7	9.1
Kansas-Neb Nat Gas	4	17.4	15.9	0.6	6	8.8	8.0	5.1	8	20.0	12	6.3
Diversified Energies	5	15.6	14.2	0.5	4	9.9	10.1	3.0	7	20.7	9	8.6
NICOR	6	15.2	10.7	0.6	8	8.2	5.9	4.3	9	19.8	11	7.6
Brooklyn Union Gas	7	14.9	16.7	0.7	5	8.8	10.1	5.2	14	18.2	3	10.3
Peoples Energy	8	14.7	15.0	0.8	13	7.3	7.6	3.0	11	18.5	13	5.3
Laclede Gas	9	13.7	14.6	0.7	11	7.7	8.5	3.2	16	17.1	8	9.0
Consol Natural Gas	10	13.7	14.6	0.5	7	8.3	9.0	5.1	13	18.3	5	10.0
Pacific Lighting	11	13.5	12.1	0.9	10	7.9	7.6	2.6	4	22.3	4	10.2
UGI	12	12.9	11.3	0.7	9	8.0	7.3	3.8	3	23.0	6	9.1
National Fuel Gas	13	12.0	13.3	0.7	12	7.6	8.3	3.4	17	16.6	10	7.8
WICOR	14	10.8	7.9	0.7		**	**	1.8	15	17.8	16	3.4
Gas Service	15	10.3	6.7	0.7	14	6.3	5.3	1.0	12	18.4	14	4.5
Atlanta Gas Light	16	10.2	6.0	0.8	15	6.2	5.0	1.1	6	21.9	17	2.9
Washington Gas Light	17	9.5	10.1	0.8	16	6.0	6.4	3.0	19	15.6	15	4.2
No Indiana Pub Svc	18	8.0	5.1	0.8	17	5.2	4.7	3.7	10	19.0	18	–8.2
Primark	19	5.0	5.5	0.9	18	3.7	3.8	1.0	18	16.4	19	–15.0
Medians		**13.7**	**12.1**	**0.7**		**8.0**	**7.6**	**3.2**		**19.0**		**7.8**
Industry medians		**15.7**	**15.1**	**0.7**		**8.9**	**9.0**	**4.0**		**20.7**		**9.3**
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
††Three-year average. ‡Four-year growth. D-P: deficit to profit; not ranked. **Not available; not ranked.

Free and happy

What would happen if the gas pipelines, traditionally regulated utilities, operated in a free market? Take $3.2 billion (sales) Houston Natural Gas, whose earnings per share have climbed at a 24% compound rate over the past decade and whose return on equity hasn't dipped below 20% for five years.

Three-fourths of HNG's business is running a pipeline entirely within Texas, and is thus subject to the benign, hands-off authority of the Texas Railroad Commission rather than Washington bureaucrats. HNG buys from more than a thousand well owners, often in competition with other pipelines crisscrossing Texas. It sells mostly to industrial users, often competing with other pipelines or other fuels. Customers representing nearly half HNG's 1.6-billion-cubic-foot-a-day load could easily switch to fuel oil if provoked.

Under the circumstances it makes sense for HNG to insulate itself from market fluctuations and make its living off the spread—an average 42-cents-per-mcf markup last year above its average $3.28 cost. "We've been operating in a free market for a long time," says James Walzel, president of the HNG pipeline subsidiary. He adds: "We haven't entered into a gas purchase in the last seven years without a market-out clause." That's a clause that lets HNG lower its price if market conditions dictate. (The well owner is allowed to reject the lower price and have HNG transport the gas to another buyer.) Only in the past two years, by contrast, have the troubled interstate pipelines had the foresight—they say, the bargaining power—to get market-out clauses.

Walzel says the interstates got caught in $8 and $9 contracts because of a preoccupation with extending their reserves, which average about nine years' consumption. HNG's reserve ratio is barely half that. "If you price yourself out of the market," he says wryly, "and your sales go down to zero, why, right before you go broke you have a wonderful reserve index.

"We have never curtailed a customer," Walzel boasts. Few of the big reserves interstate lines could say as much.—W.B.

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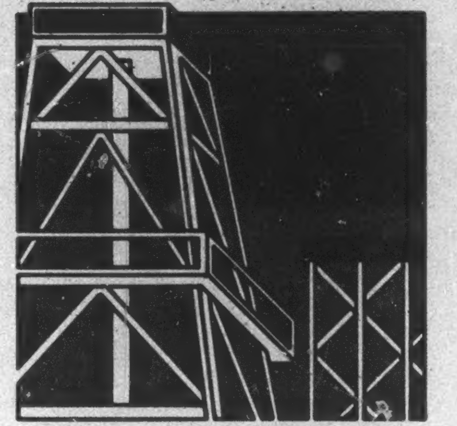
It's not enough to make an alarmist case yet, but there's plenty of evidence that the Japanese are casting a serious eye on the oil patch.



Oilfield drillers and services

By Toni Mack

ONE OF THE MOST unsettling aspects of the Reagan Administration's Russian pipeline embargo, says M. A. (Mike) Wright, chairman of Cameron Iron Works, was that "we started getting reports that the Japanese suddenly became very interested in selling oilfield equipment." Now that the embargo is lifted, says Wright, "I would think they would think again, because the market is bad." He pauses. "I guess I'm hoping so."

But you thought the U.S. still dominated in oilfield supplies? Maybe so, but the business is hardly devoid of Japanese suppliers today. Giant Mitsui and Mitsubishi make offshore drilling rigs, platforms and equipment. Tsukamoto Seiki sells drill bits ("Not very good ones," says an American) outside the U.S.; Oyo Instruments, a Houston company mostly Japanese-owned, makes geophones. Tubular goods such as pipe and casing are made by the likes of Nippon Kokan K.K. "There's now a decided brand preference by some buyers for Japanese tubulars," warns John Kurfess of Booz, Allen. "The scary thing is how fast the Japanese convinced the

Oilfield drillers and services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
L B Foster	1	75.9%	6.3%	0.8	15	14.1%	7.9%	1.7%	18	12.5%‡‡	20	5.9%‡‡
Schlumberger	2	36.0	32.7	0.1	1	33.4	31.3	22.7	9	24.8	1	32.8
Geo International	3	32.2	12.3	0.3	2	24.8	10.6	4.3	7	27.4	6	25.1‡
Western Co No Amer	4	30.3	23.9	1.5	19	13.4	10.7	11.1	1	36.7	2	32.7
Parker Drilling	5	27.6	24.6	0.6	8	17.5	15.6	12.4	3	32.7	3	29.5
Baker International	6	25.8	25.9	0.3	3	18.9	20.9	9.8	6	31.9	4	28.3
Kaneb Services	7	24.8	28.2	0.9	16	14.0	14.6	13.1	2	35.6	16	14.0
Petrolane	8	24.8	23.9	0.4	6	17.9	17.4	5.3	12	20.8	13	18.7
Cameron Iron Works	9	23.3	25.3	0.5	10	16.2	17.3	12.2	14	18.2	7	22.8
SEDCO	10	22.8	63.9	0.6	17	13.8	34.2	46.3	19	11.2	10	19.5
Tidewater	11	21.9	21.6	0.5	14	14.4	13.0	14.5	11	22.8	18	12.9
Smith International	12	21.8	18.9	0.2	4	18.2	15.4	10.0	8	26.4	8	21.7
Halliburton	13	21.8	18.4	0.2	5	18.1	15.4	7.3	16	16.1	14	17.3
Hughes Tool	14	21.7	18.0	0.4	7	17.8	12.8	12.0	4	32.4	5	27.3
Reading & Bates	15	21.4	23.0	0.8	18	13.5	13.3	18.2	13	18.7	11	19.5
NL Industries	16	20.8	24.4	0.4	11	15.4	17.4	11.5	21	8.7	12	19.2
Rollins	17	20.3	17.7	0.2	9	17.1	14.7	8.1	17	13.8	19	12.4
Big Three Industries	18	19.6	18.0	0.3	12	14.9	12.8	12.4	10	23.9	9	21.0
Dresser Industries	19	17.9	13.2	0.2	13	14.6	11.7	5.6	15	16.4	17	13.5
Zapata	20	15.8	25.9	0.9	[illegible]	8.7	13.0	17.7	20	9.7	15	17.1
McDermott	21	10.3	13.0	0.2	21	7.3	8.5	4.0	5	32.4	21	–5.4
Industry medians		21.9	23.0	0.4		15.4	14.6	11.5		22.8		19.5
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. ‡‡Three-year growth.

oil companies that they were superior [in oil pipe]."

In times like these, this is the last thing the U.S. industry needs. The number of oil and gas rigs working in the U.S., where the majority of the free world's wells are drilled, has been almost halved from a late-1981 peak of 4,530. On average, only about 2,600 rigs will be at work this year. Profit margins have collapsed, workers are laid off, brand-new capacity sits idle. And now the Japanese?

To be sure, the Japanese cannot become a major force overnight. So far, they have only a tiny fraction of a total market dominated by well-entrenched names like Cameron, Halliburton and Schlumberger. Take Japan Steel Works, for example. It supplies raw materials for "Christmas trees" and other oilfield products and has "a very strong interest" in making complete oil tools, according to Shinji Mima, JSW's vice president in Houston. But "everything is slow now," he says, and the company has no concrete plans yet. Even then, figures Mima, it will take maybe three years to get a product to market.

But as Peter Mailandt, a strategic planner for U.S. Steel's Oilwell division, points out, "The Japanese have the advantage of taking time. They don't have to pay attention to quarterly profits. If it takes 20 years to break the market, so be it."

That's, of course, how the Japanese broke into electronics—first licensing the technology to learn it, then improving it, and finally making technological breakthroughs themselves. "There's a lot of experience and knowhow involved" in oilfield equipment, says Mitsunori Aoyama, deputy general manager of Mitsubishi International. "Blow-out preventers, fishing tools, testing equipment, valves—these things we wouldn't try to do by ourselves at this point."

The Japanese will probably focus their marketing efforts not on the U.S. but on Russia, which has 38% of the world's gas reserves and over 9% of its oil, and China, the last great virgin territory. Neither has much motivation to buy American. In China, Japan has already proven its desire to help hunt for oil with a $400 million exploration commitment and a $260 million low-interest loan signed last September. It's a safe bet that where the Japanese national oil company goes, so go Japanese suppliers.

What's a poor oilfield supplier to do? Just what he does in any competitive market, like the one that exists today: "Cut costs and get into tech-

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nology," exhorts Prudential-Bache analyst James Horan. In fact, look for most U.S. manufacturers to be cutting everything *but* research and development. That's an amount that varies all over the lot. Halliburton spends less than 1% of sales on R&D, while Baker International, NL Industries and Hughes Tool spend less than 2% apiece. On the other hand, Schlumberger, which is often considered as much a high-tech outfit as an oilfield supplier, spends nearly 3%, while Teleco Oilfield Services *(see box, below)* and Gearhart Industries, which carved their niches right out of Schlumberger's flank, spend 14% and 4%, respectively. Over at Newport Beach, Calif.-based Smith International, Chief Executive Jerry Neely has increased R&D spending from 1.8%, when he took over in 1976, to around 2.4% today.

The right tack

Ralph F. Spinnler knows how an upstart can steal a march on a market leader—even a superb company like Schlumberger (estimated 1982 sales, $6.5 billion), which so dominates its market that well logs are generically called "slumber jays." Spinnler's tiny Teleco Oilfield Services (estimated 1982 sales, $50 million) was able to market a measurement-while-drilling (MWD) system in 1978, two years before Schlumberger. Now, of all MWD systems in the field, some 85% are Spinnler's babies.

Spinnler, 43, had helped Raymond Industries devise rugged components for nuclear weapons before Raymond put him to work in 1969 on MWD technology, in what later became the spunoff Teleco. Six oil companies provided research funds. "Some of the oil people," says Spinnler, "told us frankly they wanted to see someone compete with Schlumberger." Other research funds came from the French national oil company, Société Nationale Elf Aquitaine. Raymond now owns 24% and Elf 34% of Meriden, Conn.-based Teleco, which went public in 1979. Teleco went into the black that year and earned around 80 cents a share in 1982.

Spinnler figures that Teleco, with eight offices worldwide and another to open soon, serves 25% of the directional drilling market, MWD's major use so far. He will have to add more services to make the system worthwhile for other kinds of drilling; he plans to spend $8 million to $9 million on R&D this year, less than a tenth of what Schlumberger spends overall.

Nevertheless, investors who think Teleco will hold its own have kept the stock up recently at 17 times 1982 earnings. Are they in for a disappointment long term? Spinnler, who races sailboats in his spare time, is confident: "It's like sailing. Once you're out in front, you can stay in front if you work hard enough on it."—T.M.

Teleco owns some 85% of all measurement-while-drilling systems in the field
"Oil people wanted to see someone compete with Schlumberger."

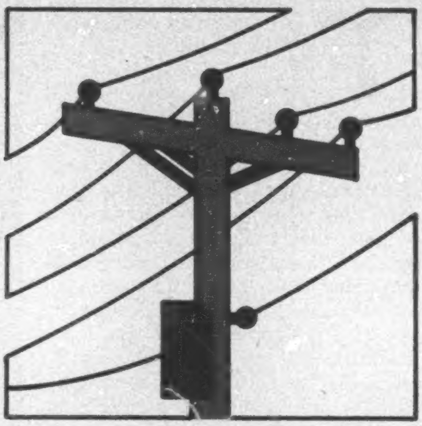
The last few years have spawned plenty of new technology. Measurement-while-drilling, known as MWD, is the hot research spot for virtually every major oilfield supplier. It used to be that when a driller wanted to measure whether his well was on course, he had to pull out two or three miles of pipe and bit and lower instruments by wireline. It took an hour to 16 hours, time paid for whether the rig drills or sits idle. An MWD device stays in the hole and takes its bearings in just a couple of minutes. Engineers are working to make MWD devices that transmit myriad data, from the condition of the bit to the character of the rock formation. The next step, now more imagined than researched, would be devices to telegraph commands down to bottom-hole tools. William Maurer, who directs oil-tools research at Maurer Engineering in Houston, believes that MWD devices in tandem with down-hole motors and new synthetic diamond bits could garner as much as 50% of all drilling within the next ten years.

Companies like Schlumberger and Galveston-Houston are bringing computer technology to the oil patch. G-H's new drilling console uses microprocessors to stop the traveling block (on which the drill pipe is hung) at preset points and to calculate ton-mile wear on the wireline. "Right now our instruments deal primarily with pneumatics," says William Love, vice president for drilling and equipment. "To extend further in the market, we'll have to get further into electronics."

In fact, it may be that kind of new and better technology, some borrowed from other fields, that will help stave off the Japanese or any other foreign threat. "The threat is not just Japan," warns U.S. Steel's Mailandt, "but also England, with its government financing, and Korea and Taiwan." Says one analyst with some wonderment: "I've even got a letter on my desk from a Chinese company making rock bits."

There was a day when those little transistor radios from Japan were thought cute, perhaps clever, but hardly ill omens for giant U.S. electronics companies. American oilfield suppliers can't afford to rest on their technological laurels. ■

Hollywood made The Great Escape *from A.W. Vogtle's World War II exploits. Today Vogtle is a utility CEO who hasn't lost his inclination for striking when the iron is hot.*



Electric utilities

By Subrata N. Chakravarty

SOME INDUSTRIES hit bottom and start back up at the unlikeliest times. Take electric utilities. Their long-term return on equity still isn't anything to get excited about, true. But in the most recent 12 months, utilities outperformed U.S. industry by a significant margin right in the middle of the recession.

What's ahead now? FORBES sat down with A.W. Vogtle, chairman of Atlanta-based Southern Co., the nation's largest investor-owned electric utility in terms of assets. Vogtle boasts a distinction few corporate executives can claim: The character played by Steve McQueen in the 1963 film *The Great Escape* was loosely based on Vogtle's exploits at Stalag Luft III in World War II. After 37 years, Vogtle still has an eye for opportunities ahead. And unlike some other utility CEOs, he sees plenty.

In the midst of the deepest recession since the Great Depression, the electric utilities have performed better than their historical averages. Why is that?

Vogtle: It undoubtedly reflects increased rate allowances by the public service commissions. If that's the case then, of course earnings for all of the utilities will be up. You may find some falloff in demand for electricity because of conservation, but at least we're getting perhaps a fair price for what we're selling.

How has Southern Co. fared with the public service commissions?

Vogtle: We're coming off a period of very poor treatment, in some instances what might be called zero rate allowances. But in our case, it's not so much commission activity that has helped recently as the courts. These commissions are subject to the courts, after all, and the courts have been more than cognizant that the

Electric utilities

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Northeast												
New England Electric	1	14.3%	16.2%	0.9	10	6.7%	6.9%	8.8%	15	10.8%	2	8.7%
United Illuminating	2	13.7	18.4	0.7	2	7.9	10.2	14.2	2	14.5	10	2.3
N Y State Elec & Gas	3	13.7	16.4	0.8	3	7.9	9.3	16.8	3	14.2	4	6.1
Long Island Lighting	4	13.2	14.0	0.7	1	8.5	9.4	17.6	1	15.0	12	1.8
Commonwealth Energy	5	12.8	11.0	0.7	12	6.4	5.2	3.7	14	11.0	6	5.1
Niagara Mohawk Power	6	12.7	15.7	0.8	4	7.5	8.9	11.5	6	13.6	7	5.0
Consolidated Edison	7	12.3	14.2	0.7	7	7.0	8.1	9.7	16	9.5	1	8.9
Penn Power & Light	8	12.3	13.4	0.9	8	6.9	6.9	21.7	13	11.9	13	1.3
Rochester Gas & Elec	9	12.3	14.9	0.8	5	7.4	8.8	11.2	8	13.5	5	6.0
Delmarva Power & Lt	10	11.9	13.7	0.9	6	7.1	7.6	11.4	5	13.7	9	2.7
Atlantic City Elec	11	11.5	9.9	0.8	9	6.8	6.2	8.3	4	14.0	14	0.7
Pub Svc Elec & Gas	12	11.3	11.8	0.7	11	6.4	6.6	8.2	10	13.1	8	3.2
Boston Edison	13	11.3	9.2	0.8	15	5.6	5.3	5.3	12	12.2	3	6.3
Phila Electric	14	11.0	13.2	1.0	13	6.3	7.0	12.3	11	13.1	11	1.9
Northeast Utilities	15	10.5	13.4	1.3	14	6.1	7.2	8.1	9	13.5	15	–0.2
General Public Utils	16	4.5	2.4	0.9	16	4.3	3.5	1.4	7	13.6	16	–14.7
Medians		12.3	13.6	0.8		6.9	7.1	10.5		13.5		3.0

Note: Explanation of Yardsticks calculations on page 50.

commissions have failed miserably in doing what they should do.

It is generally believed that the electric utility industry is now a no-growth industry. Do you agree?
Vogtle: No. Let me put it in perspective. There are some industries that don't care what the peak demand is, because they simply can't afford to meet it. Take railroads. They will know that at a certain time of the year they should have available X number of cars if it's going to meet the load. But that peak is very high; it's so expensive to furnish all these cars that the railroads will say, "We'll do the best we can, but if we can't meet it, we can't meet it; that's all there is to it."

Well, suppose utilities adopted that reasoning and hit the peak season with 200,000 customers—or a million—totally out of power. You can imagine the public relations problems we'd have—let alone the problems we'd have under the conditions of our franchise. So we have always assumed

The Southern Co.'s A.W. Vogtle
"The commissions have failed miserably."

Electric utilities

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Midwest												
Public Service Indiana	1	15.2%	19.6%	0.8	1	7.5%	8.6%	29.0%	12	14.7%	5	6.0%
Wisconsin Pwr & Lt	2	14.1	18.1	0.7	5	7.3	8.6	10.1	8	15.1	2	7.0
No States Power	3	14.0	16.6	0.7	14	6.8	7.8	10.6	23	12.4	4	6.6
Wisconsin Public Svc	4	13.6	13.5	0.6	10	6.9	6.3	7.1	9	14.8	3	6.8
Kansas Power & Light	5	13.4	15.1	0.7	9	7.1	7.7	13.8	7	15.5	7	4.5
Indianapolis Pwr & Lt	6	13.2	12.8	0.8	10	6.9	6.8	13.9	18	13.5	9	3.7
Illinois Power	7	13.1	14.5	0.8	8	7.1	7.7	14.1	3	16.1	15	2.5
Wisconsin Elec Power	8	13.0	16.2	0.7	6	7.2	8.3	10.4	15	14.2	1	7.3
Union Electric	9	12.7	14.0	1.0	17	6.4	6.3	16.3	22	12.4	11	3.6
Allegheny Power	10	12.6	16.1	0.8	12	6.9	8.4	9.6	4	15.9	13	2.7
Cleveland Elec Illum	11	12.5	15.6	0.9	3	7.4	8.7	18.8	20	12.5	18	0.8
Central Ill Pub Svc	12	12.5	14.0	0.8	15	6.7	6.8	12.4	10	14.8	14	2.6
Cincinnati G & E	13	12.3	13.0	1.1	7	7.2	7.2	9.6	14	14.4	12	2.8
Central Illinois Lt	14	12.0	14.5	0.6	22	5.8	6.4	8.8	5	15.9	6	4.9
Dayton Power & Light	15	12.0	15.2	1.0	2	7.4	8.5	12.7	13	14.6	16	2.1
Kansas City Pwr & Lt	15	12.0	13.1	0.9	21	6.1	6.6	16.5	11	14.7	8	4.1
Toledo Edison	17	11.6	13.5	0.9	4	7.4	8.0	21.4	6	15.9	20	–1.5
Consumers Power	18	11.6	11.5	0.9	18	6.3	6.4	9.7	21	12.4	9	3.7
Commonwealth Edison	19	11.0	13.8	1.0	19	6.3	7.2	14.0	16	14.1	19	0.6
American Elec Power	20	11.0	10.5	1.1	12	6.9	6.5	8.3	2	17.3	21	–1.7
Ohio Edison	21	10.8	13.2	1.2	16	6.6	7.4	14.5	17	14.0	22	–2.5
Duquesne Light	22	10.3	11.6	1.0	20	6.2	6.4	14.6	19	12.8	23	–3.4
Detroit Edison	23	10.0	9.6	1.1	23	5.8	5.5	10.9	24	11.3	17	1.6
No Indiana Pub Svc	24	8.0	5.1	0.8	24	5.2	4.7	3.7	1	19.0	24	–8.2
Medians		12.4	13.9	0.9		6.9	7.2	12.6		14.7		2.8

Note: Explanation of Yardsticks calculations on page 50.

that we have to meet that peak, whatever it may be and whenever it occurs.

The way we're looking at it now, the peak is expected to grow at least 3% a year for the foreseeable future. If that is the case, and I believe it may be even too conservative, then the demand on our systems will double by the year 2005. We're going to have to have twice the plant, just to meet expected growth.

Isn't a growth rate of 3% rather optimistic, given the amount of conservation in electric usage in recent years?

Vogtle: No. It's not unreasonable. From 1973 to 1980, the economy grew 2.4%. That's not exactly robust. But even in those horrible times electric usage grew 3%. So I think we're on sound ground when we make that assumption of 3% growth. You have to believe that at some point the economy is going to improve, and the whole future of our economy is tied to the production of electricity as the best use of the energy that we have today.

What will we do with all the capacity we're building? The answer to a maiden's prayer is that we've got a market—our neighboring states, where utilities are less fortunately situated. They were using oil and gas as a fuel, while our capacity is mostly coal-fired. It gives us a bank for our power until we have a need.

Southern Co. has a reserve margin—the difference between demand and installed capacity—of over 30%. You also have the highest debt ratio in the industry. Yet you're planning to spend over $5 billion in the next five years, half of it to be borrowed, to add 6 million kilowatts of capacity. Why?

Vogtle: Back before the oil embargo, we were ready to go with 23 million kilowatts of additional capacity. This was a real growth area then; we were going up 8% to 9% a year, sometimes even higher. Then all of a sudden here comes OPEC and there goes demand. We figured that out of that total 23 million kilowatts, we could cancel 8 million kilowatts without any big loss of investment. We decided to delay another 9 million. We're continuing with the rest of it, and the reason is that it was the cheapest way to go. If you just quit building and demand grows at 3%, it will nibble at your

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reserve until, sooner or later, you've got to start building more plant. If it's on a crash basis you might have to put in combustion turbines, an expensive way to go. But, whatever you do, it's probably going to cost a lot more than it would if you go ahead and finish it today. The capacity we're building will cost $1,000 per kilowatt. A unit that you start in service in the early 1990s will cost $2,500 per kilowatt.

All right then, what do we do with the power? The answer to a maiden's prayer, in a manner of speaking, is that we have a market. And the market is in our neighboring states, where utilities were less fortunately situated—meaning that they were using oil and gas as a fuel, while our capacity is mostly coal-fired. So we decided that we could sell this power to our neighbors, saving them hundreds of millions of barrels of oil and billions of cubic feet of gas, saving their customers millions of dollars in fuel costs, and still make money for ourselves. And that's exactly what happened. It meant a lot to our earned income. It also gives us a bank for the power. The contracts are structured so that in most cases after a period of years we can stop sending that power out and convert the deliveries to our own customers. By that time very likely we'll have a need. And all of this without having to build any new plant other than what we are already building.

In the meantime, however, most other utilities have improved their profitability because they cut back far more sharply on new construction. What is going to happen to them if demand continues to grow?

Vogtle: I would say they're going to suffer increased cost of construction if, as and when they start building new plants. Either that or just not serve the load. ■

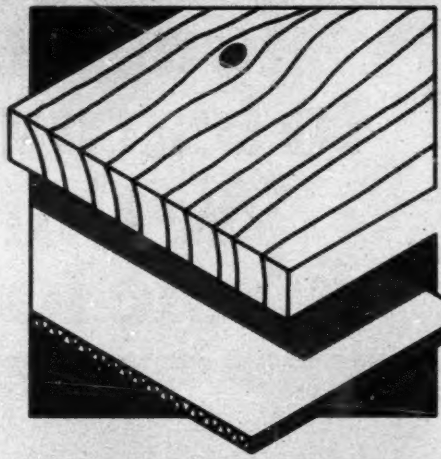
Electric utilities

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Southeast												
TECO Energy	1	14.3%	10.9%	0.8	7	6.7%	5.6%	6.9%	5	16.0%	2	7.6%
Duke Power	2	13.6	13.6	0.8	1	7.4	7.6	16.4	12	12.9	1	8.2
Florida Power & Lt	3	13.3	14.6	0.9	6	6.7	7.1	9.3	2	17.0	3	7.5
Middle South Utils	4	12.7	13.7	1.2	2	7.0	7.7	11.1	1	18.0	8	2.8
Carolina Pwr & Lt	5	12.4	13.0	0.8	5	6.8	6.9	15.0	9	14.5	6	3.7
Baltimore Gas & Elec	6	12.1	12.8	0.9	3	6.9	7.2	10.8	11	13.7	4	4.5
Potomac Elec Power	7	11.9	12.9	0.8	4	6.8	7.0	10.9	13	12.2	5	4.3
Florida Progress	8	11.9	10.5	0.9	10	6.1	5.6	6.1	3	16.3	7	3.4
So Carolina E & G	9	11.7	10.9	1.0	9	6.2	6.1	10.1	6	15.5	9	2.1
Southern Company	10	11.1	13.9	1.1	13	5.8	6.6	9.2	8	14.6	10	–0.2
Louisville Gas & Elec	11	10.4	10.6	0.8	12	5.9	5.7	8.2	4	16.3	12	–0.8
Va Electric & Power	12	9.9	10.7	1.1	8	6.3	6.5	11.7	7	15.3	11	–0.5
Kentucky Utilities	13	9.4	13.2	0.9	11	5.9	7.0	11.1	10	14.0	13	–2.4
Medians		11.9	12.9	0.9		6.7	6.9	10.8		15.3		3.4
Southwest												
Southwestern Pub Svc	1	17.6%	19.2%	0.9	3	7.8%	8.1%	13.0%	4	19.4%	4	4.7%
Central & South West	2	14.8	14.9	0.7	5	7.7	8.0	10.4	6	17.8	3	6.4
Texas Utilities	3	14.7	16.7	0.8	2	8.1	8.9	13.3	3	19.5	1	7.3
Houston Industries	4	14.1	15.5	0.8	4	7.7	8.0	7.5	1	29.2	2	6.8
Arizona Public Service	5	14.0	15.4	0.9	1	8.6	9.3	22.0	7	17.5	5	3.4
Gulf States Utils	6	12.5	11.8	1.1	6	6.8	7.3	11.9	2	19.6	6	3.0
Oklahoma Gas & Elec	7	11.8	16.2	0.8	7	6.3	8.0	11.9	5	18.6	7	0.4
Medians		14.1	15.5	0.8		7.7	8.0	11.9		19.4		4.7
West												
Southern Calif Edison	1	13.0%	15.4%	0.9	3	7.8%	8.9%	12.6%	9	15.9%	2	4.4%
Pacific Pwr & Lt	2	12.9	14.6	1.2	5	7.3	7.9	14.5	1	24.1	5	3.6
Montana Power	3	12.8	14.8	0.8	4	7.5	7.8	13.8	7	19.2	3	4.3
Pacific Gas & Elec	4	12.5	15.8	0.8	1	8.1	9.4	11.7	8	17.4	4	4.0
San Diego Gas & Elec	5	12.0	17.4	0.9	2	8.0	10.4	10.9	3	21.3	7	1.4
Hawaiian Electric	6	11.6	14.1	0.7	8	6.6	7.6	5.8	4	20.6	1	6.8
Portland Genl Elec	7	11.4	17.5	1.3	7	7.2	9.4	25.2	5	20.3	8	0.1
Utah Power & Light	8	11.4	11.8	0.9	6	7.2	7.1	16.0	2	22.5	6	1.8
Public Service Colo	9	10.7	13.0	0.9	9	6.3	7.1	7.4	6	20.0	9	–1.0
Medians		12.0	14.8	0.9		7.3	7.9	12.6		20.3		3.6
Industry medians		12.3	13.8	0.9		6.9	7.2	11.2		14.7		3.4
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.

Exporting used to be something everyone talked about but only a few forest companies did anything about. Now structural changes are forcing the world view.



Forest products

By Kathleen K. Wiegner

THE ERUPTION OF Mt. St. Helens over two years ago left Weyerhaeuser Co. with 68,000 acres of trees nature had harvested at the worst possible time—as the forest products industry entered its most severe depression since the 1930s. What to do with those massive volumes of wood when housing starts for the last two years have run at around 1 million, the lowest since 1946? Answer: Ship them to Japan.

In fact, Chairman George Weyerhaeuser has said that "in large measure it has been international trade that allowed us to keep running here." If the company had not been able to ship overseas about 45% of the specialty plywood, 43% of the bleached paperboard, nearly half of the newsprint and 30% of the logs from the Mt. St. Helens salvage, it might have been in very serious trouble indeed.

That's a dramatic example of a profound change in the fundamentals for West Coast producers of wood and paper like Weyerhaeuser, Crown Zellerbach, Potlatch and Louisiana-Pacific. Western mills, in fact, have been cut off from markets east of the Rocky Mountains. One measure of that is that even in 1978, a boom year for housing, the Pacific Northwest lumber and plywood industry operated below capacity.

Why? It costs as much to move a unit of lumber from Washington State to Phoenix as it does to ship it to Osaka, Japan because of rising rail rates. Moreover, because the Jones Act requires the use of higher-price U.S. shipping, British Columbia can send wood east cheaper than Washington can. That has aided the development of interior Canada's forest

Loading lumber at Weyerhaeuser's Longview, Wash. mill. Next stop: Osaka, Japan
Some 45% of Weyerhaeuser's tree harvest in the Northwest now goes to offshore markets.

products industry and the resurgence of the South as a major wood basket.

Add to that the recession—and questions about what kind of housing industry will emerge from it—and the big western forest companies have a lot to think about. In the past, they largely concerned themselves with supply—investing heavily in growing more and better trees and using more and more of the wood in finished products. Now the concern is with demand.

That demand, companies like Weyerhaeuser are convinced, increasingly lies overseas in wood-short countries like Korea, Japan, Taiwan and even China *(see box, p. 110)*. "We have the forests, the deep-water ports, the capacity to be a consistent low-cost, long-term supplier," argues Robert Myhr, manager of international projects for Weyerhaeuser, which last year exported over $900 million in newsprint, lumber, plywood, pulp, logs and wood chips. The company now has eight ships on long-term charter, two designed to send linerboard and newsprint to Asia, six to sail to Western Europe. In a joint venture with Japan's second-biggest papermaker, Jujo Paper, the Longview, Wash. mill now exports around 50% of its 400,000-metric-ton newsprint capacity to Japan. When Weyerhaeuser first started exporting, 20 years ago, it was sending mostly pulp and logs overseas, but today half of its shipments are finished products like newsprint and lumber.

For smaller companies, a forced strategy is often a way to crack the export business. Last year Potlatch Corp. exported $80 million to $90 million worth of bleached board, which is turned into milk or juice cartons. This year Potlatch expects that total to grow by 8% to 10%. In the U.S., demand for these cartons is mature, but in Japan, Australia, Mexico and, increasingly, Korea, the market is still growing, says James Collier, vice president of marketing for Potlatch's pulp, paperboard and packaging group. In Japan, for example, they are used not only for milk but soy sauce and even sake.

Another company, Great Northern Nekoosa, is building a $540 million pulp mill in Mississippi and plans to ship roughly 50% of production overseas. "Exports will be more and more important," says Robert Hellendale, Great Northern's president. "The Scandinavians won't be significantly expanding their pulp mills because their forests can't support more capacity." International Paper, which exported around $450 million in linerboard, bleached board and market pulp last year, has geared its Pineville, La. mill to exports. St. Regis and Union Camp are also pursuing exports.

"Europe has a limited wood supply for incremental growth," points out John Fery, chairman of Boise Cascade. "Raw material and capital availability will limit further expansion and modernization." Moreover, as the less-developed countries develop, they're not going to build $500 million pulp and paper mills. Why spend half a billion dollars even if you have the wood? And most don't. As their standard of living increases, growing wood needs will come out of this continent."

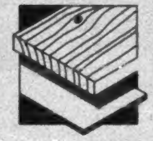
But the world is by no means just

Forest products

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
James River Corp Va	1	28.7%	21.6%	0.9	3	16.8%	13.1%	3.1%	1	56.9%	1	32.1%
Fort Howard Paper	2	24.2	22.9	0.2	1	18.9	18.2	17.2	2	16.0	3	17.3
Consolidated Papers	3	20.5	12.6	0.1	2	17.6	10.9	7.5	6	13.6	2	18.6
Kimberly-Clark	4	19.1	15.7	0.2	4	14.6	12.7	7.2	11	11.1	4	15.4
Union Camp	5	16.7	12.0	0.3	5	12.1	8.8	8.6	15	9.9	8	8.3
Mead	6	15.0	1.1	0.7	11	9.6	1.4	0.4	9	12.2	13	5.9
Federal Paper Board	7	14.4	16.2	1.6	19	7.9	6.7	4.7	24	5.8	14	4.9
Gt Northern Nekoosa	8	14.1	10.9	0.3	6	10.2	8.0	5.7	8	12.4	6	9.4
Westvaco	9	13.9	8.9	0.3	9	9.6	6.6	4.4	16	9.9	10	7.9
International Paper	10	13.9	4.5	0.2	7	9.8	3.9	4.2	20	7.8	11	6.8
Weyerhaeuser	11	13.2	4.6	0.5	9	9.6	4.3	3.7	14	10.0	18	2.3
Georgia-Pacific	12	12.7	5.5	0.7	18	8.1	3.5	2.2	7	13.0	17	2.4
Willamette Inds	13	12.4	def	0.7	8	9.7	1.3	def	5	13.8	21	1.1
Hammermill Paper	14	12.1	9.5	0.6	20	7.8	5.9	2.7	4	14.1	9	7.9
St Regis Paper	15	12.1	8.2	0.5	14	8.6	5.7	4.7	11	11.1	16	3.5
Scott Paper	16	11.8	9.0	0.4	13	8.9	7.1	5.1	13	11.1	5	10.9
Potlatch	17	11.5	3.5	0.5	16	8.2	3.1	3.4	19	8.5	19	1.8
Champion Intl	18	11.1	0.9	0.5	22	7.5	2.4	0.8	22	7.3	22	0.0
SCM	19	11.0	6.7	0.4	15	8.3	5.4	1.8	21	7.7	7	9.2
Louisiana-Pacific	20	10.7	def	0.2	23	7.3	def	def	3	15.6	19	1.8
Boise Cascade	21	10.4	0.1	0.6	17	8.2	2.0	0.1	10	11.4	12	6.0
Longview Fibre	22	9.4	1.2	0.7	12	9.1	1.8	0.6	18	8.7	24	–6.8
Crown Zellerbach	23	9.1	4.4	0.5	24	6.7	3.5	2.1	17	9.2	23	–3.3
Southwest Forest Inds	24	8.1	def	1.0	21	7.5	1.3	def	23	6.8	15	4.5
Industry medians		12.6	6.1	0.5		9.0	4.9	3.3		11.1		6.0
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.



there for the taking. American companies exported $8 billion worth of forest products in 1981, but they were far from the dominant suppliers. So far, the U.S. provides less than 20% of the forest products in world trade. Canada, Scandinavia and Brazil supply 80% of pulp imports; Canada, Eastern Europe and Scandinavia, 82% of lumber imports.

Some of the reasons for this lackluster performance are familiar: Japan and Europe impose both tariff and nontariff barriers, and some developing countries with forests favor local production over imports. But in large measure, U.S. forest companies, like many U.S. companies, have never made an allout effort. Because the U.S. market was so large, most companies looked to exports only when they had excess production or when the economy slowed. "Some companies used the export market as just another opportunity," says Weyerhaeuser's Myhr. "But if you're going to do it, you must commit for the long term."

That can mean capital investment. For example, Japan's high-speed presses and the use of color even on the front page of newspapers require a special grade of newsprint. Japanese construction uses wood cut to dimensions different from standard two-by-four lumber and four-by-eight plywood. Even plywood standards are different in Japan.

Japan is important because it is the major market for most companies. Weyerhaeuser alone sold over $500 million there in 1981. But the market potential is even more important. Japan is the world's second-largest consumer of plywood, for example, but of the $4.5 billion used in 1980 (the last good Japanese housing year), the U.S. supplied only $2.2 million. Historically, about a third of Japan's wood needs have come from Southeast Asia, but Indonesia and the Philippines are trying to constrain exports of their hardwood logs to promote domestic conversion. And Japan's paper industry is ailing, hit with high costs for energy and raw materials. That could mean opportunity for the U.S.' lower-cost producers.

The worldwide recession and the strength of the dollar mean that exports are a long-term solution but not a short-term fix. Exports have not prevented the dividend cuts and asset sales many forest companies have used to stay alive. Nor is there anything to prevent companies from losing interest again when the U.S. market picks up. But if they do, it might be a big mistake. Canada, Russia, Brazil, Chile and even New Zealand recognize the world market potential and are exploiting it. Like many another U.S. industry, forest products companies are coming to realize that exports are no longer mere icing on the cake, but part of the formula for survival. ■

The new China hands

You don't need to be a heavyweight to crack the export market. Take little, $200 million (sales) privately owned Menasha Corp. of Neenah, Wis. It primarily makes corrugated containers, but it also owns 96,000 acres of prime Douglas fir in Washington and Oregon, which it has been selling to other mill operators for 15 years.

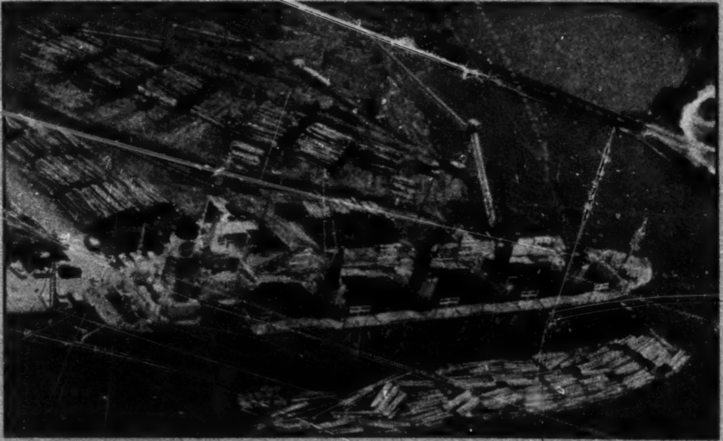
With the current depression in the forest products industry, however, more and more sawmills shut down. Menasha decided it had to find other markets or those trees would sit there as scenery. "We pulled out of the domestic timber market altogether in 1981," says William Lansing, general manager of land and timber, "and probably would have last year. But we found a market window where we could enter."

The window opened on China. In 1982, 70% of Menasha's logs, 13 million board feet, went to the People's Republic—the first exports in Menasha's 133-year history.

Because China has been buying logs from the West Coast for only about three years, there are still a lot of uncertainties. So rather than sell direct, Menasha turns its logs over to a broker who deals with the Chinese. "That means we pay a brokerage fee," says Lansing, "but the security is worth the price."

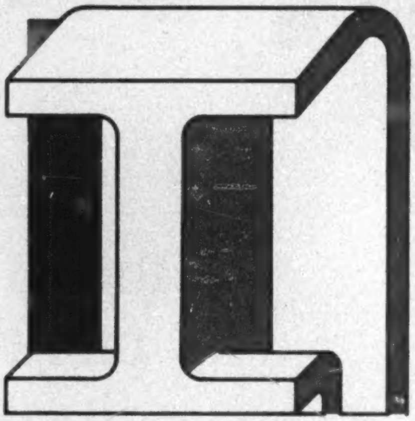
At present, Weyerhaeuser is the biggest exporter of logs to China. ITT's Rayonier division and Burlington Northern are also big China traders. Like Menasha, so many smaller companies have been jumping in that competition drove the price of logs down 30% during the last nine months. "Everyone is trying to stuff as much wood as they can into China's pocket," says Lansing ruefully.

The fact is, though, it has become a necessity for Menasha, which still cannot sell its logs locally at a reasonable price. And Lansing believes that Menasha is in a better position than many of its competitors because it owns trees but no mills. Owning a sawmill often means cutting trees just to keep the mill running even when pricing is bad. "We can watch the market and stay out when the price is no good," says Lansing. Menasha's founders, who started out over a century ago making wooden pails and washtubs, might be a little startled to find their successors supplying timber to China. But times change, and smart companies change with them.—**K.K.W.**



The South Light *takes on logs bound for China*
"We found a market window where we could enter."

Short term, the steel industry may come back.
Long term, however, it is in the grip of history.



Steel

By Lisa Gross

WHEN A TOP BUSINESSMAN equates patriotism with supporting the steel industry, as U.S. Steel Chairman David Roderick did before a security analysts meeting late last year, you know things are bad. That they are.

These days, in fact, they are positively funereal in this great old industry. U.S. Steel, still the biggest domestic steelmaker, despite its Marathon Oil acquisition last year, had a loss of $126 per ton of steel shipped in the third quarter of 1982. Over all of 1982 the top seven integrated producers together lost an average of $95 a ton. That's operating loss, according to Oppenheimer & Co. Vice President John C. Tumazos. And things aren't going to improve any time soon. "Each major steelmaker should report losses in 1983 on steel operations, if you sift out the accounting gimmicks," says the respected analyst. By factoring out LIFO credit, for example, he estimates U.S. Steel's third-quarter 1982 loss at $191 per ton.

A Nucor minimill in Jewett, Tex.
Cheaper steel, thanks to lower labor, shipping and raw material costs.

The reason: The industry was working at about 48.5% of capacity during 1982, while breakeven was about 70% of capacity or higher. And more downsizing is on the way. Even with new trade quotas in effect, the industry optimistically expects to ship only about 75 million tons in 1983, down 25% since the peak of the last cycle, in 1979. In all, foreign producers have captured about 22% of the U.S. market, and the new quotas won't help much because they cover the Common Market countries, which have only about 5% of the market; most of the foreign share belongs to Japan and Canada, which are outside the agreement.

In fact, the big integrated steelmakers are the high-cost producers in a dissolving market. Labor costs are 95% higher than the average for all other U.S. manufacturing. And that's just part of the problem. Big U.S. producers—that is, those manufacturing a full line of products from large, centrally located mills—are using plants an average of 50 years old and equipment averaging 18 years old, estimates Richard Deily, executive director of the Institute for Iron and Steel Studies. Only about 25% of U.S. production, compared with 80% in Japan, comes off continuous casters, which require less than half the energy of traditional methods, and require fewer man hours per ton to produce higher quality product. It's not a new story for the steel industry. Why haven't steel executives recognized the problem and adapted to the shrinking market? "Some of these companies don't wake up until their backs are to the wall," shrugs John Tumazos.

Philosophically, the answer is simple. Adapt to the shrinking market, cut back on capacity drastically by shutting ancient plants, cut costs to the bone. In other words, take your place in the new order (FORBES, *Nov. 22, 1982*). But that's not happening as often as the facts would indicate because closing a plant is expensive. When Colt Industries shut its Crucible Stainless & Alloy division facility in Midland, Penna. in October, it took a $232.4 million loss, including $134.1 million paid for employee retirement benefits, before selling the plant to LTV Corp. in November.

Most companies are closing marginal sections of mills or eliminating low-margin product lines—anything to keep from turning out the lights. Says Robert Crandall of the Brookings

It could be worse

For years, Inland was the steel industry's low-cost producer. It has only one mill, the Indiana Harbor Works, but that is a good one. Then, in 1980, net income dropped 77% and margins slid to 0.9%. What to do? "When we looked at our strategic plan, we found that there was no single large investment we could conceive of that would turn our margins around," says President Frank Luerssen simply.

But if fixed costs could not be cut, fat could be. Luerssen and Chairman Frederick Jaicks decided Inland must improve manufacturing margins via that route by 1% a year over the next ten years. In the 18 months since the program began, Inland has exceeded the goal: In 1982 the company saved $80 million; this year it expects to save another $160 million.

How did Inland do it? By streamlining and economizing everywhere, not just by freezing salaries or by other Band-Aid methods. The company installed a computerized fuel regulator for reheat furnaces at its 80-inch hot strip mill and saved $4 million annually. Installing a microprocessor and reorganizing drafting practices saved $1.6 million annually at another mill. A

Inland's Luerssen

He'll save $160 million this year.

cropping practice change at No. 3 coal strip mill will yield annual savings of $2.4 million.

It's very basic, but in an industry plagued by overcapacity and a 40% drop in demand, every little bit helps. "We'll be profitable at production levels of 5% to 10% less than formerly," claims Luerssen. "Had it not been for our margin improvement program, we would probably be $50 million into the banks." As it is, Inland has virtually no short-term debt and has added no long-term debt in the last year.—L.G.

Steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Worthington Inds	1	30.9%	16.3%	0.7	2	19.9%	11.2%	4.1%	1	26.5%	2	25.7%
Nucor	2	29.8	11.8	0.4	1	22.5	9.2	4.9	2	23.7	1	28.8
Northwest Industries	3	26.7	28.0	0.5	4	15.4	15.9	9.7	4	15.8	3	23.1
LTV	4	26.6††	4.4	0.9	7	11.9††	4.4	1.0	3	23.2‡		D–P
Earle M Jorgensen	5	17.7	11.8	0.2	5	15.3	10.5	5.8	12	9.9	5	12.4
Carpenter Technology	6	17.4	9.1	0.2	3	16.1	7.8	5.7	7	12.3	4	13.3
Athlone Industries	7	16.2	5.6	1.3	10	9.5	6.0	1.3	24	4.4	8	5.6
Copperweld	8	13.2	5.2	0.3	8	9.9	4.2	2.1	9	10.7	10	2.5
Central Steel & Wire	9	12.7	3.5	0.0	6	12.5	3.5	1.1	14	8.3	7	7.7
Crane	10	11.3	2.6	0.6	13	8.0	4.3	0.9	22	5.8	12	–3.2
Armco	11	10.4	def	0.3	12	8.3	def	def	5	12.9	9	3.8
Colt Industries	12	10.1	def	0.3	15	7.0	def	def	8	11.6	17	–6.3
Northwestern Steel	13	9.2	def	0.0	11	9.1	def	def	17	8.0	13	–3.7
Cyclops	14	8.8	def	0.3	14	7.2	1.3	def	11	9.9	6	10.1
Interlake	15	7.8	4.7	0.4	16	6.8	4.7	2.1	13	9.0	14	–4.2

Note: Explanation of Yardsticks calculations on page 50.
††Three-year average. ‡Four-year growth. D-P: deficit to profit; not ranked. def: deficit.

Institution, "The value of the entire industry's plant is 5% to 7% of reproduction costs. This is perilously low."

The answer: Stop pouring good money after bad. Big steel has cut capital expenditures drastically, with no certainty that the cuts will ever be restored. Bethlehem is moving ahead so far on only one of six projects—a continuous caster—in its $750 million modernization program. Armco reduced its capital expenditure budget from $750 million to $340 million last year, and will keep it below $250 million this year.

Another answer: Cut costs. Here, the industry is making progress. U.S. Steel will save $300 million this year on salary and administration improvements alone. Armco has reduced its break-even point from 72% of capacity to 65% at its largest plant, in Middletown, Ohio. And Inland Steel's cost-cuts have kept loss-per-ton lower than anyone else's in the integrated steel industry, according to analyst Tumazos *(see box, p. 113)*.

One bright spot is minimills—cost-savers that use energy-efficient electric-arc furnaces, continuous casters and straight-through rolling mills. Last year electric furnace producers supplied 30% of domestic steel shipments, and the most profitable steel company these days is $530 million (estimated 1983 sales) Nucor Corp., operator of four minimills.

Nucor's gross profit per ton will be about $74 this year. Nucor is nonunion, and its labor costs run $65 per ton, vs. about $175 per ton at integrated producers like U.S. Steel or Republic. Nucor's lower labor costs result from high productivity, not low wages, because it is free of union featherbedding. The company requires fewer than 3 man-hours to produce one ton of steel, vs. 8 man-hours at the integrated makers. Raw material is scrap iron at about $60 per ton, vs. $150 per ton for molten iron. The minimills usually ship products within 300 miles to 400 miles, saving on transportation costs.

When will the steel industry recover? To answer that in the short term you have to know when the auto industry will recover; it buys 15% of steel's output. Or when the construction industry, which accounts for another 14%, will come back. When these two huge industries pick up, so will steel. Says U.S. Steel manager of economic research, Elizabeth Bossong: "Don't bet against us. We're sleeping right now. In fact, it's an awful lot like a nightmare. But we'll be back."

But even optimists like Bossong understand that the nightmare won't end until the U.S. industry gets its labor costs, if not down to earth, at least out of the stratosphere. ■

Workers at U.S. Steel plant in Homestead, Penna.
Union labor costs steel 95% more than average for U.S. manufacturing.

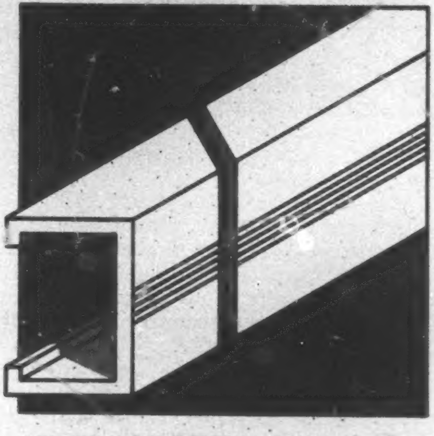
Steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
NVF	16	6.8%	def	1.9	9	9.5%	def	def	6	12.7%	20	–9.3%
Lukens	17	6.1	3.3%	0.2	17	5.2%	3.0%	1.2%	19	7.4	16	–5.4
United States Steel	18	5.7	1.5	0.3	18	5.0	2.7	0.6	10	10.0	19	–8.0
Inland Steel	19	4.9	def	0.5	20	4.2	def	def	16	8.1	21	–12.4
Bethlehem Steel	[illegible]	4.8	def	0.4	19	4.3	def	def	23	5.8	11	1.2
Republic Steel	21	4.6	def	0.3	22	3.7	def	def	14	8.3	18	–6.5
National-Standard	22	4.1	def	0.2	23	3.6	def	def	21	6.0	23	–16.5
National Steel	23	3.7	def	0.4	24	3.1	def	def	18	7.8	22	–13.5
Wheeling-Pitts Steel	24	3.7	def	0.7	21	3.8	def	def	25	3.9	15	–4.3
Kaiser Steel	25	def	1.8	1.0	25	def	3.5	0.7	20	6.3	24	P–D
Keystone Consolidated	26	def	def	0.7	26	def	def	def	26	3.9	24	P–D
Industry medians		9.0	1.7	0.4		7.6	2.9	0.7		8.7		–3.7
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P–D: profit to deficit. def: deficit.

Everybody is hurting equally now. But, as in George Orwell's Animal Farm, *some will soon be more equal than others.*



Nonferrous metals

By John R. Dorfman

NAME YOUR POISON. Metals like nickel are directly tied to the steel market; others, like copper and aluminum, to autos, housing or consumer spending in general. To ask which segment is better these days is almost like asking which of several stones would make a better life preserver.

But it won't always be so. Some of the patients will get out of intensive care sooner than others.

Take aluminum, likely to be the first to recover. Think about its markets: containers, appliances, autos and other transportation, and construction. Clearly, aluminum will be an early beneficiary of any surge in consumer spending. The aluminum industry lags the economy all right, but by perhaps three months, versus about six months for some of the other metals.

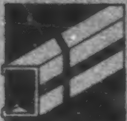
"Recover it will," says James Pasman Jr., executive vice president of Aluminum Co. of America, speaking both of his industry and the economy in general. "When? That's the hard part. We expect an economic upturn [in 1983] perhaps more modest than most post-World War II upturns."

Aluminum executives are incurable optimists—witness their recurring bouts with overcapacity. But outside observers agree with Pasman. Three out of four ingredients for a recovery in aluminum seem to be in place, says J. Clarence Morrison, an analyst with Dean Witter Reynolds Inc. "Order patterns have improved. So has the order mix. And inventories are down from their peaks." The one missing factor is a decent price. Some aluminum ingots have been going for as little as 45 cents a pound recently, down about 6 cents from a year ago, and well below list price.

The real story in aluminum isn't the short-range outlook, however. It's what Pasman calls a "worldwide rationalization" of capacity, which started in Japan some five years ago. Japan used to be capable of producing 1.6 million metric tons of aluminum per year. Now capacity is down to 0.7 million metric tons, only part of which is being used. From Scotland to Alabama, producers are closing plants that are either obsolete or saddled with high electricity costs (a major factor in aluminum production). "All this," says Pasman, "will help bring the supply/demand ratio to a more favorable point."

Copper could be next to pick up. Hard to believe? It's not so farfetched, even though copper is less directly tied to consumer spending. Only about 33% of copper use is "consumer oriented," according to William Siedenburg, metals analyst with Smith Barney, Harris Upham & Co. The rest goes to the electronic and electrical industries, telecommunications, industrial machinery and utilities. An upturn in housing and autos would get copper started on the road to a price recovery, though. And the sooner, the better. "The average cost of producing copper in the better U.S. mines is around 90 cents a pound,"

Measuring aluminum plate at Alcoa
First one out of intensive care?



says Asarco Chairman Ralph Hennebach. Recent selling price: around 70 cents. No wonder copper producers are bleeding (except Newmont Mining, which is staying afloat with oil, coal and gold).

But copper has often roared back from the doldrums dramatically. There are reasons to think that could happen again. As with aluminum, inventories in users' hands are low. Siedenburg points out that copper producers outside North America are already operating fairly close to capacity. So when demand picks up, much of the additional copper will have to come from the U.S. and Canada. Asarco's Hennebach thinks things may improve by the second quarter of this year, although he admits: "That's more intuition than anything else, maybe with a large measure of wishful thinking."

Two other major nonferrous metals are sensitive to consumer spending. One is lead, used chiefly in batteries, especially car batteries. So a pickup in autos could boost lead's price from its recent abysmal level of 23 cents a pound. (Lead sold for above 40 cents a pound during much of 1980 and 1981.) The other is zinc, whose fortunes are tied to both housing and autos and whose price recently was about 40 cents a pound, down from 47 cents a year before.

That leaves the area where real carnage has taken place: in the two major nonferrous metals, nickel and molybdenum, that are used primarily in the steel industry. Inco Ltd., the world's largest nickel producer, lost $74 million in the first half of 1982. Amax Inc., the world's largest producer of molybdenum, lost $48 million. Amax slashed its dividend from 60 cents to 5 cents a quarter—which also happens to be what Inco is paying, compared with the 40 cents it was paying back in 1975 and 1976. (Aluminum and copper producers have also resorted to dividend chops. Asarco, for example, entered 1982 paying 35 cents a quarter and left it paying 10 cents.)

What about the precious metals? Disinflation seems to have turned off the spotlight that shone on them for so long. "Gold and silver are factors unto themselves," says Morrison. "We're not particularly bullish on them. We expect an average gold price in 1983 of around $400 an ounce and an average silver price around $10 an ounce—both close to current levels." Silver is one of the few metals that have increased in price recently; it bounced back from a 1982 low of around $5. There is some constriction in supply right now: Much silver is produced as a by-product of zinc, lead or copper mining—none of which is booming. The fact is that $10, while better than $5, still isn't high enough to cover costs for many U.S. producers.

Remember when Sohio was snapping up Kennecott and Atlantic Richfield was gobbling up Anaconda not so long ago? These companies are now losing money for their new parents. "Some of those people now wish they didn't have those things," remarks Robert Hageman of Kidder, Peabody & Co. Remember, too, when Asarco was on everybody's list of next to go? Ralph Hennebach does, of course. "We haven't had any overtures recently," Hennebach says. "And we aren't expecting any. I'm hopeful that this Bendix/Martin Marietta affair has cooled people's passion somewhat. And with disinflation, perhaps we are not as attractive a target as we once were."

Asarco, of course, wants to retain its independence, but does Hennebach like things better this way? Well, no. "Actually," he says, "I'd love to have that problem again." It's nice to have your virtue tempted. ■

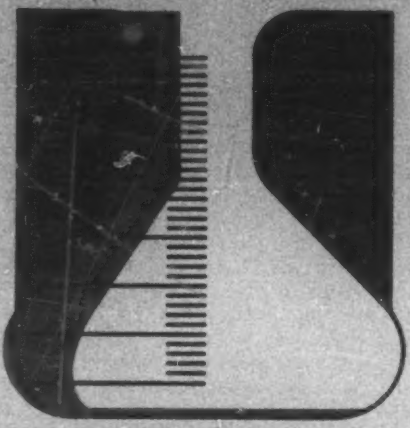
Nonferrous metals

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Cabot	1	22.6%	14.4%	0.4	2	15.0%	10.6%	5.5%	2	24.6%	1	34.4%
Engelhard	2	20.0	17.5	0.1	1	17.9	16.2	3.3	1	27.0‡	4	16.4‡
Handy & Harman	3	19.8	9.1	0.5	3	13.5	7.3	2.2	11	10.8	6	11.9
Alcan Aluminium	4	18.2	4.2	0.5	4	12.1	3.4	2.3	5	13.4	2	26.0
Commercial Metals	5	15.0	9.3	0.2	5	11.8	7.8	0.9	3	17.2	9	8.0
Newmont Mining	6	14.5	3.1	0.1	7	12.1	2.4	5.5	12	8.8	7	10.0
Alcoa	7	14.5	1.8	0.4	6	10.2	2.3	1.2	7	11.8	3	18.2
Kaiser Alum & Chem	8	13.9	def	0.5	11	8.4	0.7	def	8	11.7	5	12.6
AMAX	9	11.3	def	0.5	9	9.4	def	def	4	16.7	11	5.5
ASARCO	10	9.9	def	0.3	10	8.6	def	def	14	6.6	8	9.8
Reynolds Metals	11	9.9	def	0.6	13	6.1	0.0	def	9	11.3	10	6.0
Hanna Mining	12	8.1	def	0.2	12	7.3	def	def	17	0.3	12	–4.5
NVF	13	6.8	def	1.9	8	9.5	def	def	6	12.7	14	–9.3
Revere Copper	14	5.3	def	0.9	15	3.7	def	def	13	8.2		D–P
Phelps Dodge	15	4.5	def	0.5	14	3.9	def	def	15	6.0	13	–8.8
Gulf Resources & Chem	16	def	def	2.0	16	2.1	2.2	def	10	11.0	15	P–D
Inco	17	def	def	0.6	17	0.4	def	def	16	5.0	15	P–D
Industry medians		11.2	def	0.5		9.4	0.7	def		11.1		6.9
All-industry medians		15.9	12.7	0.4		11.8	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.

The uses of adversity: Now that commodity chemical producers have made wholesale cutbacks, their operating leverage in any upturn could be tremendous.



Chemicals

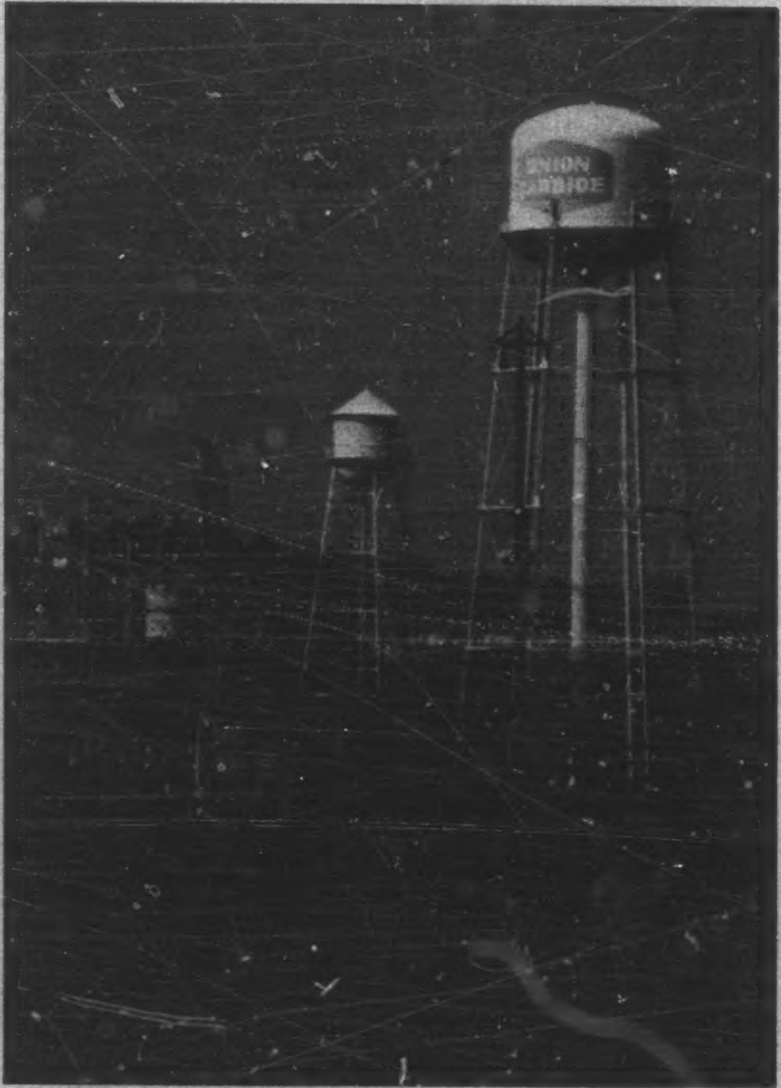
By Thomas Jaffe and Peter Kadzis

"WE'VE JUST GONE THROUGH the worst year I can remember since I've been in this business," says Paul Oreffice, chief executive officer of $11.9 billion (sales) Dow Chemical. Dow is not alone. Excluding Du Pont (because its acquisition of Conoco would skew the figures), the total net income of the big seven in U.S. commodity chemicals fell from an average $2.15 billion between 1979 and 1981 to less than $1.4 billion last year.

At the same time, the chemical companies were saddled with massive expansion undertaken back in the mid-Seventies, when it appeared the good times would never end. "Since 1973 the volume growth of most basic chemicals and plastics has averaged only 1% to 2% a year," says Oreffice. "Everybody was planning on 6% to 10%. So we built. We thought inflation would pull us through. Now, of course, that has been shown to be dead wrong. The result is that we're stuck with weak markets and too much capacity."

The shock has prompted a massive scaling back. Debt-heavy Dow, for example, sold off more than $600 million of assets in 1982, and killed a proposed $1 billion joint venture for a polyethylene complex in Saudi Arabia. Since 1978 Union Carbide has dumped more than $1 billion worth of businesses, including European chemicals and plastics.

The big seven also pulled in their horns on capital spending, which averaged about $5 billion a year from 1979 to 1981. Back then they had planned to increase that to $5.7 billion in 1982. But by the time last year ended, it came to only $4.7 billion, and



Union Carbide plant shut down in Alabama
More than $1 billion in assets cut back since 1978.

this will be dropping again in 1983.

The motive was survival, pure and simple. But this massive downscaling of expectations also means that chemical companies could benefit from tremendous operating leverage in an upturn. Says CEO Alexander Giacco of $2.7 billion (sales) Hercules Inc., who has pruned $350 million, mostly in assets of petrochemical-based products since the late Seventies: "The way we're now set up, we could operate at 55% of capacity and still be at breakeven, compared with 65% five years ago. This time around, it means with each ten points of capacity we add back to our operating rate, we'll tack on an extra $2.20 a share onto our pretax income. That's half of what we earned in all of 1974."

No wonder some security analysts are looking for spectacular gains in 1983. According to Willian Young of Dean Witter Reynolds, every 1% increase in unit volume could equal a 10% increase in profits, and he predicts as much as an 8% rise in volume. Young assumes that further drops in interest rates will free up the automobile and housing markets. Inventory liquidation by chemical companies also will come to an end, he feels: "Now, if prices go up 3% on top of that kind of incremental volume," says Young, "you'll see earnings increase 40% or better."

Moreover—despite a strong dollar—the U.S. should be highly competitive internationally in 1983. For the time being, both production and energy costs are substantially lower than in Europe and Japan. With its pared-down plant, the U.S. industry's production costs are 5% to 10% lower. And natural gas liquids supply the U.S. with 60% of its raw materials for commodity chemicals. Gas is now 30% to 40% cheaper than the crude oil on which the Europeans and Japanese solely depend. The remaining 40% of U.S. feedstocks is also cheaper; it comes from the crude oil fractions that go into gasoline, especially unleaded gasoline. Since U.S. gasoline consumption has been soft, the price of these derivatives has been flat. The Europeans and the Japanese, who depend just as much on these fractions, have had no such luck. Gasoline in those areas is always expensive because their refineries—unlike those in the U.S.—are geared to producing the maximum amount of home heating oil.

> **"Since 1973 the volume growth of most basic chemicals and plastics has averaged only 1% to 2% a year. Everybody was planning on 6% to 10%. So we built. We thought inflation would pull us through. Now, of course, that has been shown to be dead wrong."**

Impressive prospects, indeed. But not so spectacular that the chemical companies can yield to any new overblown expectations. Consider:

- The strong dollar may not hurt exports all that much this year, but it makes the U.S. market vulnerable in some specialized areas. For example, finished fabrics from the Far East cut into the amount of synthetic fibers Du Pont and Celanese can sell. For Rohm & Haas, the villain is acrylic sheet from Taiwan.
- Belatedly, overseas producers are cutting back large chunks of uneconomic capacity, too. As this happens, they will become increasingly competitive in their home markets. In fact, a Data Resources study for Exxon predicts that, just as U.S. petrochemical exports grew 26% a year from 1975 to 1980, they will decline 15% a

Chemicals

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Diversified												
Morton Thiokol	1	19.3%	33.4%	0.2	1	14.8%	27.1%	16.9%	15	8.9%	1	27.5%
Dow Chemical	2	16.5	7.9	0.7	5	10.3	5.7	3.6	4	14.9	12	3.5
W R Grace	3	16.4	16.8	0.6	4	11.4	10.9	5.5	11	10.4	6	9.0
Stauffer Chemical	4	16.4	13.4	0.3	3	11.5	9.6	8.7	8	10.6	8	7.6
E I du Pont	5	15.7	9.8	0.6	2	12.7	6.7	3.1	2	19.7	3	11.7
Diamond Shamrock	6	15.2	12.6	0.5	9	9.8	8.0	5.0	1	19.7	17	-1.4
FMC	7	13.4	12.3	0.3	8	9.9	9.2	4.4	14	9.5	4	9.3
Rohm & Haas	8	13.2	10.6	0.3	6	10.2	8.3	4.3	9	10.6	2	16.3
Hercules	9	13.1	7.5	0.4	7	10.0	5.5	3.2	12	10.3	5	9.0
Union Carbide	10	13.0	7.9	0.3	12	9.2	6.0	4.6	10	10.4	10	4.1
American Cyanamid	11	12.3	9.2	0.3	11	9.5	7.6	4.0	6	11.3	13	3.5
Celanese	12	12.1	4.4	0.6	13	8.3	3.8	1.7	13	10.3	7	8.9
Allied Corp	13	12.0	11.6	0.3	16	8.2	8.4	4.4	3	17.1	9	4.8
National Distillers	14	11.7	8.9	0.2	10	9.6	7.5	5.2	18	7.2	14	3.0
Monsanto	15	11.3	10.6	0.3	15	8.2	7.9	5.6	7	10.8	16	–0.2
Pennwalt	16	11.1	7.9	0.4	14	8.3	6.4	3.1	16	8.5	11	3.7
Olin	17	9.2	8.9	0.4	17	7.1	6.9	3.8	17	7.3	14	3.0
Reichhold Chemicals	18	5.6	0.3	0.3	18	5.2	2.2	0.4	5	12.0	18	–10.5
Medians		13.1	9.5	0.3		9.7	7.6	4.4		10.5		4.5

Note: Explanation of Yardsticks calculations on page 50.

year through 1985.

- Also, the disparity in price of feedstocks between the U.S. and Europe will narrow as the free market works its will. When the U.S. industry mapped out its ambitious expansion plans back in the Seventies, both U.S. crude oil and natural gas prices were controlled. Now crude is totally decontrolled and the step-by-step decontrol of natural gas brings monthly price increases.
- There's still plenty of U.S. capacity left to cut as well. Consider low-density polyethylene, from which trash bags are made. Cities Service and Arco recently have gotten out of the business; the U.S. industry is running at a healthy 80% of capacity. Yet it's selling at giveaway prices and nobody is making any money. That's because there was overexpansion in its feedstock, ethylene—an industry currently running at less than 60% of capacity. High-cost ethylene producers are moving as much as they can into the market at a minimal profit—or even a loss—in order to justify the $500 million investments they made to build world-scale plants. "Some of these ethylene suppliers are just putting off an inevitable decision to shut down," says Alec Flamm, president of $10.1 billion (sales) Union Carbide. "Meanwhile, the entire market must suffer. In this business, you either have to be dominant or low cost—or nothing at all."

Another major market hurt by overexpansion is chlorine, from which comes polyvinyl chloride—used in everything from records to auto seat covers. Diamond Shamrock, Dow and PPG Industries all operate modern plants that can produce 1,000 to 1,200 tons a day. But the older 100- to 300-ton facilities of paper companies like Georgia-Pacific and Weyerhaeuser just aren't competitive. Chemical analyst Harry Flavin of Merrill Lynch says the industry's 12 million tons of annual capacity—over 30% of which is idle—should be cut by at least 10%. Dow already has closed old plants. Admits Paul Oreffice: "We've been praised for belt-tightening, but we're the number one guy in that business, too. So if there is still a problem, then we must be part of it, right?" In short, there may be even more plant shutdowns to come.

> ***"Some of these ethylene suppliers are just putting off an inevitable decision to shut down. Meanwhile, the entire market must suffer. In this business, you either have to be dominant or low cost—or nothing at all."***

All in all, says Flavin of Merrill Lynch, "There still is too much excess capacity. The U.S. industry will be lucky if demand for its products gets back to 1979 levels by 1985."

The plain fact is, the industry will yet have to pay for its reliance on steadily increasing prices during the Seventies. Says Union Carbide's Flamm: "It used to be that inflation fixed a lot of mistakes. If something wasn't good one year, higher prices would correct it the next."

Clearly, some very good times may be ahead for commodity chemical producers. How long that prosperity lasts will depend on how well they keep their enthusiasm in reasonable check this time around. ■

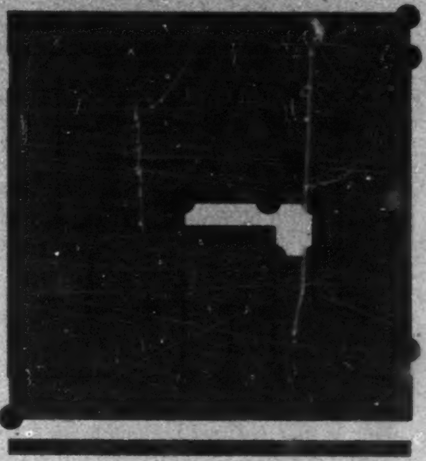
Chemicals

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Specialized												
Freeport-McMoran	1	24.6%	15.4%	0.4	3	17.3%	8.6%	14.5%	4	18.1%	4	20.3%
Nalco Chemical	2	24.3	20.8	0.0	1	23.6	20.3	10.7	11	12.8	9	12.9
Lubrizol	3	24.3	12.6	0.0	2	22.5	11.3	7.1	7	14.2	10	12.8
Cabot	4	22.6	14.4	0.4	6	15.0	10.6	5.5	1	24.6	1	34.4
Vulcan Materials	5	21.6	15.8	0.2	5	15.5	12.1	8.6	12	12.6	7	15.6
Sun Chemical	6	19.9	7.2	1.0	9	12.8	6.2	2.0	9	13.1	2	28.6
National Svc Inds	7	19.9	18.8	0.0	4	17.3	16.5	5.7	14	10.8	5	15.8
Big Three Industries	8	19.6	18.0	0.3	7	14.9	12.8	12.4	2	23.9	3	21.0
Dexter	9	18.4	15.0	0.3	8	13.6	10.8	4.6	3	21.7	8	14.2
Air Prods & Chems	10	18.1	13.6	0.4	13	10.6	8.3	6.7	6	14.8	6	15.6
Intl Minerals & Chem	11	16.8	12.5	0.4	12	11.5	8.8	8.4	17	9.0	16	4.9
Witco Chemical	12	16.7	11.3	0.4	11	11.6	8.0	2.5	5	15.7	11	11.3
Ethyl	13	15.3	12.5	0.2	15	10.5	9.4	5.5	15	9.8	14	5.9
PPG Industries	14	14.0	9.3	0.3	14	10.5	7.3	4.7	16	9.6	12	11.0
Ferro	15	13.3	6.0	0.2	10	11.8	6.0	2.2	10	12.9	15	5.5
Liquid Air	16	13.0	10.7	0.4	16	10.0	8.5	6.6	13	11.6	17	3.1
SCM	17	11.0	6.7	0.4	17	8.3	5.4	1.8	18	7.7	13	9.2
Williams Cos	18	9.0	3.4	0.5	18	6.0	3.2	2.0	8	13.5	18	–4.8
GAF	19	def	def	1.6	19	def	0.9	def	19	–2.3	19	P-D
Medians		18.1	12.5	0.4		11.8	8.6	5.5		12.9		12.8
Industry medians		15.2	10.7	0.3		10.5	8.0	4.6		11.3		9.0
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit.

The conventional wisdom is that as computers go, so goes electronics. But it's no longer true, and for an intriguing reason.



Electronics

By Stephen Kindel

IT USED TO BE that the growth of the semiconductor industry was tied almost inextricably to the growth of the computer industry. Last year proved, as never before, that nothing is the way it was. Computers continued to grow by better than 20%. Semiconductor sales? According to the Semiconductor Industry Association, its members and European manufacturers shipped about $9 billion worth of chips and devices, up only a percentage point or two from 1981. (Over 80% of that was from the U.S.)

The Japanese, even with their dominance of the big 64K random access memory market, are not exactly healthy. While Japan's semiconductor sales rose to about $4 billion, much of that was internal.

How did the semiconductor industry fall so far out of step with its

Electronics

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
EG&G	1	29.4%	27.8%	0.1	1	25.2%	25.2%	4.9%	8	22.7%	2	26.8%
AMP	2	26.0	19.0	0.1	3	22.4	16.8	10.0	11	17.3	9	20.4
Raytheon	3	24.4	21.3	0.0	2	23.0	20.7	5.8	12	16.1	7	22.1
Intel	4	20.9	5.2	0.3	4	20.2	4.4	3.1	2	33.4	11	18.9
General Instrument	5	20.6	20.5	0.1	7	17.5	18.3	10.1	17	13.2	1	35.6
Harris Corp	6	19.8	[illegible]	0.3	14	16.5	8.0	3.8	9	20.1	5	25.0
Hewlett-Packard	7	19.8	19.5	0.0	6	19.1	18.7	9.0	4	24.6	6	22.8
M/A-Com	8	19.2	11.8	0.5	5	19.4	9.2	5.2	1	43.2	4	26.0
TRW	9	19.1	14.0	0.2	16	12.5	9.2	3.7	20	12.1	17	10.8
Natl Semiconductor	10	18.9	def	0.3	13	14.6	def	def	3	28.6	13	16.0
Tektronix	11	18.7	12.1	0.2	10	16.3	10.3	6.0	6	23.2	8	20.7
Avnet	12	18.5	14.4	0.0	8	17.1	14.0	6.0	16	13.8	15	11.9
Perkin-Elmer	13	18.4	11.6	0.2	9	16.4	10.5	5.4	7	23.0	9	20.4
Texas Instruments	14	16.5	11.0	0.2	10	16.3	10.3	3.2	10	18.2	16	11.2
Oak Industries	15	15.8	11.1	0.5	12	15.2	11.5	5.0	5	23.9	3	26.6
Motorola	16	15.6	11.0	0.3	15	13.7	10.4	4.3	13	15.0	14	13.3
Honeywell	17	15.2	14.0	0.3	17	12.0	10.6	5.2	19	12.3	12	18.2
GTE	18	14.3	15.1	1.0	23	7.4	7.8	6.6	22	10.7	21	6.0
North Amer Philips	19	13.8	9.6	0.4	20	9.6	6.6	2.2	15	14.8	18	10.2
American Tel & Tel	20	13.1	12.9	0.7	22	7.6	7.3	11.6	21	11.8	19	7.7
Gould	21	12.6	9.6	0.4	19	9.7	8.3	4.4	14	14.9	24	1.0
Corning Glass Works	22	11.9	3.0	0.2	18	10.4	3.1	2.1	24	7.8	20	7.2
Intl Tel & Tel	23	11.2	10.4	0.5	21	9.0	8.1	3.8	23	8.1	23	4.2
Varian Associates	24	7.1	12.3	0.5	24	6.6	10.4	3.8	18	13.1	22	5.4
Industry medians		18.5	12.0	0.3		14.9	10.3	5.0		15.6		17.1
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.

[illegible] customers in computers? Easy. They did too good a job. As the density of transistors packed onto each chip has increased—doubling approximately every two years—and as the chips have become more reliable, computer designers have learned to make their machines with far fewer of them. "A design for a circuit in an 8-bit-based personal computer, which might add as many as 60 to 70 chips," explains Bernard Murphy, head of Bell Labs' Microprocessor Design department, "can be more efficiently done with less than a half-dozen chips in a 16-bit-based machine."

Add to that declining demand-per-machine the fact that the computer market has come to be dominated by personal computers, which have more limited capacities and thus fewer chips than larger computers, and you have part of the reason for a year of flat sales. But there's more. "How you manage chip yield—the number of working chips that you get from each silicon wafer—is the determining factor in whether you can remain competitive," says L.W. (Bert) Stammerjohn, recently retired head of Bell Labs' Integrated Memory Subsystems department.

Chip yield has always been a big problem with U.S. companies. But nobody is free of it. "The Japanese emphasis on quality control has allowed them to stay ahead in 64K RAMs," says Esther Dyson, vice president of Rosen Research Inc., a New York market research firm. "Even so, the Japanese are losing total market share, because even they can't supply enough chips of a sufficient quality to meet every demand."

Good things, small packages

Las Vegas has not been having the best of years. Hotel occupancy rates are the lowest in years. Play at the Strip's glittering casinos has been desultory. It all shows up in the city's 12% unemployment rate. So when 55,000 of the most successful computer and electronics hardware manufacturers and software publishers came to town last month for the "largest computer show in the world," the Computer Dealers' Exposition (COMDEX), it should have been a Roman holiday for Vegas.

It wasn't. While a driving rainstorm did little to dampen the enthusiasm of the fair's participants, the unsteady state of the economy was uppermost in everyone's mind. As a result, the number of genuinely new products introduced was low, and the number of me-too products and enhanced versions of existing products was very high. "You aren't going to see companies commit to leading the way when one wrong step can put you out of business," says Digital Research President Gary Kildall. Nevertheless, there were some companies that bear watching, if only for being willing to leap into the unknown. They are:

- Non-Linear Systems, Inc. The inventor of the digital voltmeter, Non-Linear's Kaypro 10 was the fair's most outstanding product. A portable computer, the Kaypro 10 contains a built-in 10 megabyte Winchester drive. In layman's terms, that means memory enough to make virtually every small business and sales organization completely portable. It should be an entrepreneur's delight.

- Enter Computer, Inc. It has a "digital plotter" that can add picture-drawing capability to your personal computer for less than $800. Enter's Sweet-P plotter cranks out lines at a steady six inches a second, and will take just about any available commercial pen. For the businessman who wants to turn his spread sheet analysis into stunning bar graphs and pie charts, this is just the ticket.

- Canon Inc. While the Japanese have made few inroads as yet into the U.S. personal computer market, their printers are the dominant force. Canon's new A-1210 color printer shows why. It is a drop-on-demand ink jet printer that can print in seven colors at up to 2,600 dots per second, for clear charts and graphics. About the size of a standard reference book, the A-1210 is a peripheral so good that it will become an industry leader and a personal computer must.

- Novation. This Tarzana, Calif. company has introduced a modem—the device used to link computers together by telephone line—that is one-fifth the size of any other available modem. Called the J-Cat, it sticks onto the side of a telephone and performs every function of a full-size modem, including automatic answering and calling. And the best thing of all is its price, $179.—S.K.

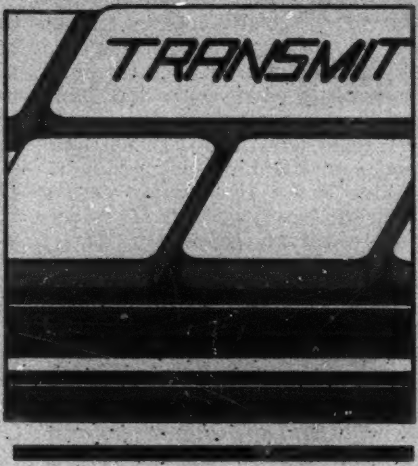
That inability to insure absolute quality has forced at least a few Japanese manufacturers to adopt the technique that American manufacturers have used to play catch-up in 64K: redundancy. "There is enough room on the chip so that, with the right kind of design, rows and columns of redundant circuits can be incorporated, to be activated if other parts of the chip are faulty," says Stammerjohn. "A delivered chip with redundant circuits activated performs as well as a perfect chip without redundant circuits."

Thus, the Japanese disdain for redundancy is eroding, especially since, according to Dyson, 1983 will mark the introduction of even larger RAMs—a whopping 256K of memory on a single chip. Among Japanese chipmakers, only Nippon Electric is claiming to be able to offer RAMs of such density without any redundant circuits. Fujitsu, Mitsubishi and Toshiba, like Motorola, will go with high-redundancy designs, following IBM and Western Electric, which have been making 256K chips for internal use since last year.

If chip densities increase, will unit sales continue to decline? If last year's logic held, the answer would be an emphatic yes. But the prospect is that, at least for a year or two following the introduction of 256K RAMs, the semiconductor industry can look forward to palmy days again. That's because such superchips will help the computer industry spawn a new generation of products. Donald Pate, vice president of marketing at Atasi Corp., a Silicon Valley manufacturer of Winchester technology disk drives, explains: "It is axiomatic in the computer industry that every increase in memory capacity has rapidly been outstripped by demand for even more memory. Three years ago, if you had predicted that portable, personal computers would be sold with 10 megabytes of disc memory, you would have been laughed off the face of the earth. Yet such products are being shown and shipped. Offer a 256K chip and watch how fast people find ways to use it. There's absolutely no doubt in my mind that 1983 will turn out to be a good year for the electronics business. All the signs point to it."

For an industry whose glittering image has shown a little tarnish lately, those are welcome words. ■

Here comes Hewlett-Packard's 32-bit personal computer. Here comes IBM. And—look out—here comes Ma Bell.



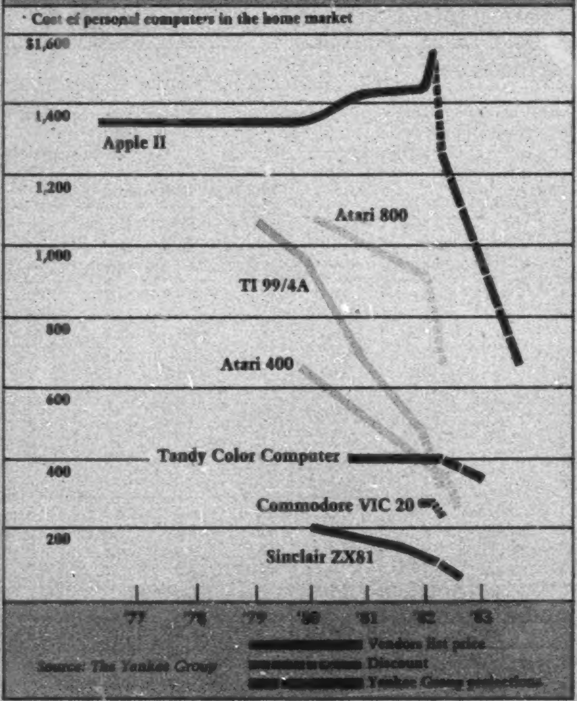
Computers

By Stephen Kindel

"WE ARE NOW AT the stage," says Bernard Murphy, a specialist in microprocessor development at Bell Labs, "where microprocessors will rapidly start to close the performance gap separating them from mainframe computers. By the end of the decade, you will see chips that can process more than a million instructions per second per dollar of processor cost."

If you stop to think that the instruction-to-cost ratio is now 10-to-1, Murphy's statement is slightly staggering. It means that the shrinkage which has already occurred in computers—the packing of ever more transistors on ever-smaller bits of silicon—has barely begun. The computer has just started to become a commodity. As it does so, there will be some shifts in the industry away from its traditional entrepreneurial style toward large volume production and marketing.

So far, the most visible evidence of those shifts comes from the low end of the market, particularly Commodore's emergence as a high-volume manufacturer of quality computers that sell for under $300. But the underlying pressures come from the top of the line. The top of the line in computers used as engineering work stations for scientific applications now is Hewlett-Packard's Model 9000 desk-top superminicomputer. The 9000 uses an H-P-developed 32-bit microprocessor, itself a revolutionary product, and a 32-bit data and address path—the "bus" over which information travels. (A bit is the minimum unit of information processed by a computer.) H-P's machine, which uses Bell Labs' Unix operating system, can at any one time address 4 trillion items in its memory directly; a 16-bit microprocessor, by comparison, can address only 64,000 items at any given time. This extreme runup in processing power means that really complex scientific and engineering tasks, such as computer-aided design (CAD) and circuit design can now be done on an individual basis. Each engineer can have his own; he no longer has to wait for access to his company's mainframe.



Computer prices go into free fall

As efficiencies of scale increase and more powerful 16-bit microcomputer models are introduced, prices of the most popular personal computers will fall.

Source: The Yankee Group

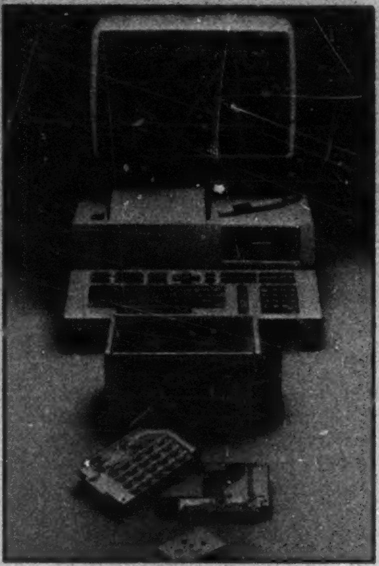
The immediate impact of H-P's 9000 will be felt in the minicomputer market, which is already hard pressed by the growing popularity and versatility of personal computers. With a base price of $28,250 for a complete work station, the H-P 9000 is well within the reach of would-be engineering entrepreneurs, who, for the price of a second mortgage on their homes, can invent and design on a level as sophisticated as the dominant company in any market. This will lead, in turn, to a speed-up in the rate of technological development and new product introductions in fields as diverse as consumer electronics and pharmaceuticals. It will also mean hefty profits for H-P: The engineering work station market today accounts for only about $50 million of the total minicomputer market, but it is increasing every year, and is expected to account for 5% to 10% of the $20 billion worth of minicomputers expected to be sold by 1986.

Most of us will, of course,

never need such a powerful computer for our own use. Still, the existence of 32-bit machines poses some real problems for the personal computer makers. Right now, most personal computers are based on 8-bit microprocessors. Newer generations, starting with the introduction of IBM's personal computer, use 16-bit microprocessors. Each newcomer into this market is thus forced to choose: Does it make a machine more compatible with the huge installed base of 8-bit micros, or with the latest generation? Says Gary Kildall, president of Digital Research, Inc., producers of the widely used CP/M operating system, "Often, the choice is not on the basis of the best technology, but on how you think you'll fare against your competitor's choices. It suppresses creativity and forces a lot of me-too products onto the market."

The dilemma can only get tougher. "IBM made the personal computer respectable," says Egil Juliussen, chairman of Future Computing, Inc., a Richardson, Tex. market research firm, "and that respectability has quickly become market leadership. Now, everyone wants to be IBM-compatible." As anyone in the mainframe business can tell the would-be microcomputer entrepreneur, trying to chase IBM is no way to grow a company over the long term.

Worse, another behemoth is about to weigh in. As of Jan. 1, AT&T will be able to market computer products. It is already shipping its own Unix-based 32-bit desk-top machine, similar to H-P's 9000, internally, and is a serious threat to line up the federal government as its first major customer. "We're already walking in some of their tracks," says David Abramson of Instrumentation Laboratory Inc., which has recently begun shipping a 16-bit computer that uses Bell Labs' Unix operating system—the computer program that allows all of the various parts of the computer to function in harmony. "Bell has a lot more marketing savvy than anyone realizes."



Hewlett-Packard's Model 9000
The shape of things to come.

A company like Bell tramping through an industry can give pause to many a small company. Take $15 million (sales) Digital Research, Inc. Its business is heavily dependent on licenses generated by its CP/M operating system. "There are many people who think that the advent of Bell's Unix will be the death of CP/M," says Gary Kildall. They're wrong, he says: "The fastest-growing single segment of the computer business is in the under-$500 market. Commodore is shipping at the rate of over 100,000 machines a month. Every one of those machines uses our operating system." Such a large installed base also means that most programs, particularly games and entertainments for personal computers, will be written to operate on CP/M-based systems.

But despite his confidence, Kildall is hedging his bets. Digital Research has driven its dependence on CP/M down from 80% of sales in 1981 to 30% last year. "It's really deadly to your reputation to be thought of as a one-product company," says Kildall. Especially when Ma Bell is lurking just around the corner. The squeeze, it seems, is on. ■

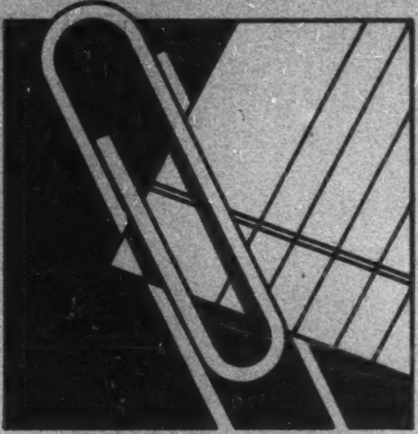
Computers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Apple Computer	1	118.6%†	33.0%	0.0	1	130.9%†	33.3%	10.5%	1	154.3%‡‡	1	127.2%‡‡
Wang Laboratories	2	32.4	21.4	0.6	4	20.9	15.3	9.3	2	49.8	2	50.5
Storage Technology	3	29.3	17.8	0.5	5	20.1	13.0	8.1	3	45.7	3	37.6
IBM	4	22.4	20.8	0.2	2	20.9	18.4	11.8	11	12.6	11	10.0
Hewlett-Packard	5	19.8	19.5	0.0	6	19.1	18.7	9.0	7	24.6	7	22.8
Datapoint	6	19.6	0.7	0.3	3	20.9	2.3	0.5	4	42.6	4	27.7
NCR	7	18.0	12.4	0.2	9	14.8	11.2	6.6	14	8.0	8	20.4
Data General	8	17.8	5.0	0.3	8	15.2	5.0	2.5	5	36.1	9	18.5
Digital Equipment	9	17.5	13.0	0.0	7	15.9	12.7	9.7	6	33.5	5	27.1
Honeywell	10	15.2	14.0	0.3	11	12.0	10.6	5.2	12	12.3	10	18.2
Amdahl	11	13.7	3.3	0.1	10	14.2	3.6	2.3	8	20.7‡	14	–17.7‡
Sperry	12	12.6	6.7	0.3	12	9.8	5.9	3.0	13	9.9	12	7.9
Control Data	13	10.5	9.4	0.3	13	9.0	8.6	3.5	9	14.2	6	23.6
Burroughs	14	9.9	7.5	0.4	14	8.9	6.1	4.1	10	12.8	13	2.2
Industry medians		17.9	12.7	0.3		15.6	10.9	5.9		22.7		21.6
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. ‡Four-year growth. ‡‡Three-year growth.

The office of the future means two things: challenge and response. The trick is to be a challenger, rather than a responder.



Office equipment and services

By Jay Gissen

RECESSION? Unless a company is going out of business, they're not going to stop accounting and they're not going to stop payroll," says Josh Weston, president of Automatic Data Processing. Processing payrolls and other bookkeeping chores, on IBM and DEC equipment, are ADP's main business. Weston was explaining why his $669 million (sales) company weathered the recession better than the rest.

Recessions come and go, but coping with the "office of the future" may be something else. What is ADP going to do when its small-business customers start to do their accounting and payroll on their own $3,000 personal computer? Weston professes to be unworried. "Buying a proven hunk of hardware doesn't buy anything for a small or medium-size company because it's just a very reliable enabling act," he argues. "ADP's service requires no capital investment, no risk. We think a lot of companies would rather get that proven turnkey service."

Maybe so, but almost 10% of the nation's 4 million small and medium offices already have computers. The business has yet to hit its stride. Take a look at the table below. You won't find high-tech companies like Apple, Wang, Amdahl and Digital Equipment there. They're on page 124, listed under the computer industry, where most of the dominating forces in this

Office equipment and services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Office equipment												
Comdisco	1	40.2%	43.9%	1.2	2	22.3%	22.2%	6.2%	2	36.7%	1	51.3%
Savin	2	25.5	def	1.5	1	25.6	def	def	1	38.9	2	38.1
Pitney Bowes	3	19.2	15.5	0.3	5	13.6	10.6	5.4	3	19.2	3	24.9
Moore Corp	4	18.0	14.5	0.1	4	15.0	12.8	5.4	6	11.6	5	8.8
Xerox	5	17.3	12.9	0.2	3	15.0	11.2	5.7	4	13.8	4	9.6
Nashua	6	12.6	def	0.3	6	10.4	def	def	5	13.7	6	6.8
Bell & Howell	7	4.6	8.4	0.3	7	4.5	7.4	2.2	7	7.8	7	–3.1
AM International	8	def	def	NE	8	def	def	def	8	5.3	8	P-D
Medians		**17.7**	**10.7**	**0.3**		**14.3**	**9.0**	**3.8**		**13.8**		**9.2**
Office services												
Computer Sciences	1	28.7%	16.8%	0.5	5	16.5%	12.8%	3.1%	5	20.6%	2	22.3%
Kelly Services	2	27.8	16.9	0.0	1	27.8	17.0	3.0	4	23.1	1	24.0
Electronic Data Systems	3	25.0	28.3	0.2	2	22.1	23.3	9.5	2	23.6	5	13.9
Auto Data Processing	4	21.1	17.3	0.2	4	17.7	13.9	8.5	1	24.6	3	19.5
Parker Pen	5	20.1	0.9	0.1	3	19.0	1.9	0.2	3	23.3	4	15.4
Purolator	6	19.1	23.5	0.6	6	14.3	16.4	3.7	6	13.3	6	11.2
Medians		**23.1**	**17.1**	**0.2**		**18.4**	**15.2**	**3.4**		**23.2**		**17.5**
Industry medians		**19.7**	**15.0**	**0.3**		**15.8**	**12.0**	**3.4**		**19.9**		**14.7**
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit. NE: negative equity.

industry now reside. Instead, you will see old-line office products companies like Pitney Bowes, AM International and Moore. But the fact is, whether some of the old-timers will survive to appear in the FORBES tables ten years hence may well depend on how they are positioning themselves now for the vast new world, expected to be a $20 billion market by 1985, that the Apples, Wangs and IBMs are creating.

Some 150 companies of all sizes are scrambling for a piece of this market, in copiers, electronic typewriters, facsimile devices, networking, telecommunications equipment and word processors. Just a 2% share of the word processing market alone, for example, would mean almost $100 million in revenues in 1985.

Many among the old-line office supply companies, like AM International, Pitney Bowes and Xerox, have been around since before the electric typewriter was invented. Standpatters such as AM, which seem to have let the computerized office pass them by, will have a tough time securing new markets through modernization and diversification.

Take Pitney Bowes, czar of America's mailrooms. Until now, the mailroom seemed insulated from the technological revolutions taking place upstairs. Postage meter equipment sales still grow at a steady 14% annually at Pitney, which has 94% of the market. But new networking systems *(see box)* mean that insulation won't last long. In fact, says Morgan, Stanley analyst Ulric Weil, "Networking may gradually do away with Pitney Bowes equipment." To get ready, Pitney has made two key acquisitions in recent years, both outside the mailroom: Dictaphone in 1979 and Artec International, a California word processor manufacturer, in 1980. Says Pitney CEO Fred Allen, "This is the start."

Though it may seem dangerous for Allen to steer his company into word processors—it's not like his regular line of business and competition is intense—Pitney has little choice. It also has a great advantage: one of the best small-company customer bases in the nation. "The asset we have is a million customers that buy our mailing equipment," says Allen. "We intend to exploit that." As the price of word processors drops further, a lot of growth will come from smaller companies that previously could not afford them. That means that Pitney, whose processors have special features enticing to the small businessman, could see significant sales in 1984 and 1985, just when its meter business may begin to flatten out.

Like ADP, Electronic Data Systems is a company whose traditional business is threatened as computers get cheap enough for any business to afford. So far, one of EDS' specialties—processing medical insurance claims—has been unassailable, says President Mort Meyerson: "The office of the future has had zero impact on us. We have a 90% renewal rate."

Says Morgan, Stanley's Weil, "Each computer services firm finds a niche based on its unique systems sophistication, applications expertise or historical business relationship." Thus, Computer Sciences obtains most of its $630 million revenues from federal and state contracts, ADP from basic accounting. Each offers expertise that, so far at least, most in-house computers could not provide. Which of these companies will do best? Says Weil: "EDS has a very strong position in medical claims processing, a nasty area. The personal computer isn't going to make many inroads there, except as a terminal."

The biggest guessing game among the old-line companies, however, is giant Xerox. With a top-notch sales and service base and technologically rich subsidiaries, Xerox seemed best positioned to make a successful transition into office automation. Yet Xerox hesitated as its copier business floundered. Now it is on the move again (FORBES, *Oct. 25, 1982*). "Like a snake, it will have to shed its skin," says analyst Melody Johnson of Kidder, Peabody. As with Pitney, Xerox has been basically a one-product company. But it is a giant (annual sales, $8.7 billion), so its transition from being a copier manufacturer to a supplier of information processing services will not be easy. High R&D spending—$575 million last year, a 30% increase since 1980—could penalize earnings, as well as new divisions' profitability. Once the transformation is complete—most observers think it will take 12 to 18 months—Xerox will emerge as a leader in word processors and electronic typewriters, as well as copiers.

Each of the other companies in this variegated industry tells a different story of transition. Kelly Services has the problem of training its temporary work force on word processors and electronic typewriters—each with different instructions. Nashua is stuck with aging copier lines and little diversity. Moore, which makes business forms, must find new forms for computer use—perhaps, someday, a substitute for paper itself.

Challenge and response. The trick is to try to be among the challengers a few years hence, and not among those scrambling to respond. ■

Waiting for IBM

Products from a half dozen or more companies could wind up in the office of the future. A computer made by Wang, Burroughs or Datapoint, word processors by CPT, Pitney Bowes or NBI, electronic typewriters from IBM or Olivetti, copiers from Xerox or 3M and facsimile devices, perhaps, made by Pitney Bowes. How do you tie them all together so they can "talk" to each other?

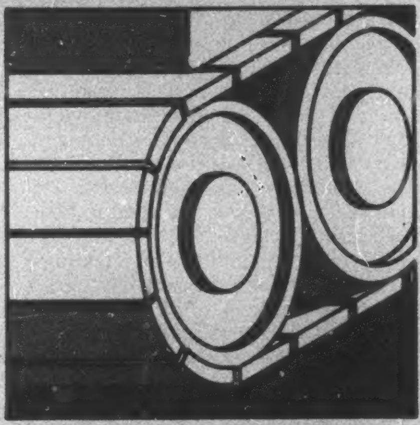
With "local-area networking," a system of cables, keyboards and specially written programs to keep the office from becoming an electronic Tower of Babel.

At least 50 networking systems are already on the market. Once these shake down into some standardization, "the prospects for local-area networking are extremely high," says Kidder, Peabody computer analyst William Easterbrook.

Xerox tried to achieve early dominance with the introduction of Ethernet in May 1980, a joint venture with Digital Equipment and Intel. But Ethernet has so far met with only moderate success and, if anything, prompted more companies to come up with networking systems of their own. Among the contenders are Wang, Datapoint, Prime Computer, CPT and a horde of smaller firms.

What may finally settle all arguments, as usual, will be IBM's entry into local-area networking, expected some time later this year. "That will set the standard," says Easterbrook. "It's ironic. You might think that it would be a negative for many companies. But it will set the tone and everybody will know what to aim for." Assuming IBM does get in sometime soon, local-area networking hardware and software could be a $10 billion business by mid-decade, with IBM and Xerox battling for the lion's share.—J.G.

Even with a recovery, some industries may never be the same again. Take railcars.



Construction, mining, rail equipment

By Barbara Rudolph

YOU'VE HEARD IT in industry after industry: "Things haven't been this bad since the Great Depression." Often it's an exaggeration. But not in the $3 billion rail equipment industry. Deliveries of new freight cars last year should hit 18,000, the lowest level since the mid-1930s. Industry backlog is at its lowest point in over 20 years. Traffic has been steadily declining for 3 years, down some 25% since 1980, and profits have collapsed along with it.

Railcars have always been cyclical, of course, and this time the swing came with a vengeance. The peak of the last cycle was 1979, when deliveries hit a record 90,000. That was clearly a fluke, partly caused by the fact that boxcars as tax shelters were then the rage. Trouble was, railcar manufacturers acted as if it were not a fluke. They grossly overexpanded their capacity from some 70,000 in 1977 to 100,000 by the end of 1980. "It was like shooting 59 in a golf game. You forget that par is 72," says James Goff, president of GATX' railcar group. Says Amsted President Robert Wellington: "That's why this isn't a normal recession, why we're all in the trenches."

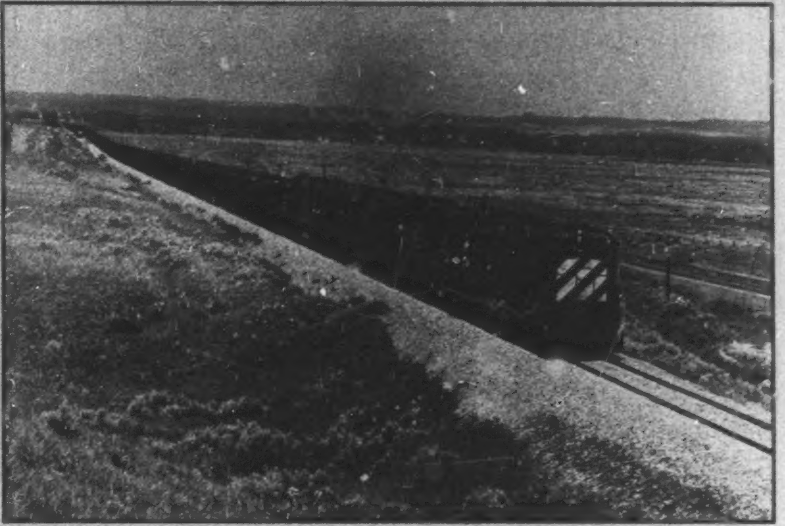
Now railcar makers know they won't see such demand again—ever. This year is almost universally written off—deliveries should be a tiny 15,000. By 1984 and 1985, volume

Construction, mining, rail equipment

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Heavy equipment												
Hyster	1	17.2%	3.2%	0.2	1	14.4%	3.3%	2.3%	3	10.4%	1	17.7%
Caterpillar Tractor	2	16.1	3.4	0.3	3	12.7	3.3	1.6	2	11.8	3	6.3
Joy Manufacturing	3	15.4	17.0	0.1	2	13.2	14.5	7.7	1	12.2	2	11.5
Bucyrus-Erie	4	13.2	6.6	0.4	4	10.8	5.2	3.8	6	8.7	4	5.8
Amer Hoist & Derrick	5	10.0	def	0.5	5	7.8	1.5	def	7	8.4	5	−2.2
Clark Equipment	6	4.7	def	0.2	6	4.2	def	def	8	2.2	6	−18.1
Harnischfeger	7	4.1	def	0.5	7	4.0	def	def	4	10.1	7	−20.4
Pettibone	8	def	def	1.3	8	3.8	def	def	5	9.5	8	P–D
Medians		11.6	1.5	0.4		9.3	2.4	0.8		9.8		1.8
Rail equipment												
Amsted Industries	1	17.6%	4.7%	0.0	1	17.2%	4.5%	2.9%	3	10.5%	1	13.0%
ACF Industries	2	13.3	12.2	0.7	3	7.5	6.7	5.4	4	10.2	4	7.4
GATX	3	12.8	6.8	1.3	4	5.7	4.0	3.3	5	8.7	2	11.8
Ampco-Pittsburgh	4	11.9	def	1.2	2	11.8	2.7	def	2	23.4	3	9.2
Tiger International	5	4.6	def	3.2	5	5.0	1.1	def	1	26.3	5	−14.3
Medians		12.8	4.7	1.2		7.5	4.0	2.9		10.5		9.2
Industry medians		12.8	3.2	0.5		7.8	3.3	1.6		10.2		6.3
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit.



Hopper cars carrying coal

A shakeout is coming, but everyone is saying, "Please God, not me."

will gradually increase to the 30,000-to-40,000 range—with a strong economy, say, 50,000.

Why is this downsizing permanent? First, there were the big mergers of the past few years that formed Norfolk Southern, CSX, and soon, Pacific Rail Systems. Take the coal-car market, for example. Both Southern Railway and Seaboard Coast Lines had been buying their own coal cars; now they use Norfolk's and Chessie's. Railroads are also operating with increased efficiency. That's partly because a slackening in traffic means cars move more efficiently. But it is also a reflection of more sophisticated computerized systems and permanent cost controls. Finally, rails have been using more piggyback trains—truck trailers that are placed on flatcars.

But although demand in a good year is now 50,000 at best, the industry still maintains capacity of 85,000. No question, a shakeout is beginning. In fact, says Kidder, Peabody's Graeme Lidgerwood, "It surprises me that we haven't seen more of it already." Pullman got out of the market in April 1982—though President Jack Kruizenga still insists they might return—but no other major producer has yet given up. There have, of course, been numerous, indefinite plant closings. GATX' Goff offers a plausible explanation: Everyone knows a shakeout is coming, "but they're saying, 'Please God, not me.' "

Railcar companies must scramble to position themselves for a future of even more piggybacking. There are already some 20 different designs for flatcars the piggyback trailer rests on. "The manufacturers feel that if they come up with the perfect piggyback car they'll have a perfect niche. But with everyone trying to build a better mousetrap, they won't all prosper," says Lidgerwood.

Who will? Over the long run, low-cost producers like the railcar divisions of Amsted and Trinity Industries will. Trinity has proved its ability to maintain good margins even at the bottom of the cycle; in 1981, for example, when operating capacity was only 30% but pretax margins were 12.5%. In contrast, ACF posted a pretax margin of only 4.3% in a good year—1980, when its operating capacity was 90%.

The low-cost producers will have more of an advantage because the recovery, when it does come, will be gradual. Price competition will remain fierce. No boom will bail out the weaker companies.

In the short run, component suppliers will probably do better than companies that make railcars. Piggyback cars travel so much faster than boxcars, and "unit" coal cars are so much heavier, that their wheels quickly wear out. So Amsted's wheel supply business should improve. On the other hand, the side frames and bolsters—the nuts and bolts that connect the wheel to the car—rarely wear out before the car. So the National Castings division of Midland-Ross, for example, won't turn around overnight. Already one of the largest producers of side frames and bolsters, Diversified Industries has abandoned the market. If grain exports pick up soon, specialties like the covered hopper would benefit, helping Tiger's North American Car and FMC.

But the business will never be the same, and the railcar makers know it. Looking on the bright side, Amsted's Wellington says: "On the other hand, we won't have the same number of builders and suppliers. So things will be all right, eventually, for those of us who are left." ■

"Cover your head while the shrapnel falls"

A few years ago Joy Manufacturing seemed to be a capital goods company able to buck any recession. Well managed, diversified, Joy always had a clean balance sheet—long-term debt has averaged just 16% of capital over the past decade. Earnings have grown more than fivefold since 1972. And for the fiscal year ended September 1982, Joy's profits were down just slightly—from $4.48 a share to $4.27 a share.

No more. The last two quarters of 1982 were weak and earnings will probably collapse in 1983; analysts are currently projecting $1.50 to $2.00. They will come back in 1984, but, at best, only to around $3.00. The economy has finally caught up with Joy—one less "recession-proof" company.

Why? First, Joy's oil service group has been hurting for some time. Then came a steep drop in profits in the coal group, which makes underground mining equipment and provides 45% of revenues. Hard-pressed mining companies have cannibalized parts from idle machines to repair those that are working.

But while even a good company can't resist a recession forever, it can continue to gain market share. Joy has, probably at the expense of Ingersoll-Rand and Dresser. Joy has also managed to continue expanding its sales network overseas. So, while things look bleak in the short run, Joy's long-term prospects are excellent. In the meantime, as A.G. Becker's Kay Reardon puts it, "You just do what you can and then cover your head while the shrapnel falls."—B.R.

Detroit's retooling is largely over, and a huge inventory of Japanese machine tools has piled up in U.S. warehouses. What a difference a couple of years can make.

Industrial equipment and services

By John A. Byrne

JUST TWO SHORT YEARS ago, euphoric machine tool executives were pushing equipment out of their factories during the biggest boom in their history. Driven by Detroit's $3.4 billion retooling in 1979 and 1980, a record $5 billion order backlog then exceeded industry capacity by 20%.

But that was yesterday. The boom has collapsed with a thud. For all of 1982 orders totaled a mere $1.5 billion—roughly the same as the first quarter of 1980. Plant closings are widespread. Machine tool companies have shed nearly a quarter of their work force in the past year alone. "We have a full-scale depression in this industry," declares a spokesman for the National Machine Tool Builders Association.

Of course, depressions do eventually end, but a rebound for machine tool companies doesn't appear likely for this year. Before that rebound is complete, the industry will have to compete against mountains of unsold Japanese machine tools. The glut, estimated to range between 5,000 and 10,000 units worth as much as $500 million, resulted from a continued increase in shipments by the Japanese over the past one and a half years, despite slowing demand.

Domestic producers now fear this stockpile could delay their recovery—up to a full year for machining centers and for numerically-controlled lathes. It's simple: "The choice for a company is to buy a machine that can be shipped almost immediately or to order one from a company that has to call back laid-off workers," says Joe Franklin, statistical director for the machine tool builders group.

Not only has the auto industry demand collapsed, but so has another major customer that fueled the boom, commercial aerospace. Ditto for construction and agricultural equipment, two other strong machine tool customers. "And finally the industry that all of us thought would hold up—energy—stopped buying," says James Geier, CEO of Cincinnati Milacron Inc. "All the major customers for the industry went out with the exception of defense and that has come on slower than people expected."

Adds Parker-Hannifin CEO Patrick Parker: "The big valley of pain is that whole U.S. industrial business. Our U.S. industrial customers are off 30% to 40% whereas in Europe we are seeing only a 5% to 10% decline in our business."

To tide itself over during the crisis, the industry has been working to reduce costs. Cincinnati Milacron has laid off 15% of its U.S. work force, temporarily closed plants for week-long periods and shifted work among factories to keep some running longer. Even so, the company expects a 50% plunge in operating income for 1982. Ex-Cell-O, which has shut down a machining-center plant and consolidated two divisions, has already given notice that 1983 earnings will fall below last year's depressed level. Anticipating a massive 50% fall in sales for 1983, Cross & Trecker has mothballed three plants and laid off 37% of its employees in the past year.

Acme-Cleveland, which has cut its work force by nearly 45% in the past two years, to 3,400, is betting on the factory of tomorrow to insure its own future. Playing the role of venture capitalist, the machine tool builder has invested $7.4 million in five small entrepreneurial ventures that range from laser systems and robotics to computer-aided design and manufacturing. Acme-Cleveland, as a minority partner, hopes to tap the expertise of these firms to diversify from its line of machine tools and foundry equipment. "We want to be less affected by these cyclical downturns in the future," says Vice President Richard Ainsworth.

Even some of the higher flying industrial service concerns have been hit very hard. "It has been a grueling year," says Anixter Brothers Inc. CEO Alan Anixter. "That's the only way to describe it." The wire and cable distributor reported a 13% decline in earnings for fiscal 1982. This came despite a 22% rise in sales boosted by such growing

Japanese machine tools stockpiled in a U.S. warehouse
Will they delay a recovery for U.S. makers?

sectors as cable television and telephones—two areas that most companies don't have to offset the downturn in their basic businesses.

What then could put the industry back on a growth path? Traditionally, the upturn for machine tools comes when capacity use hits 80%. That's the point at which most industrial companies can no longer put off investments in new capital equipment. Trouble is, no one in the industry is forecasting an operating rate of 80% until mid-1984. And a pickup in machine tool orders doesn't translate into increased profits and revenues until six to nine months after the equipment is delivered.

However, many executives are buying the theory that operating rates, now around 68%, really will not have to hit that magic 80% level. They are hoping that the latest downturn has been so severe that companies will have to play a necessary game of catch-up just to replace their obsolescent machinery. Wishful thinking? Probably.

"Between little demand and very weak pricing, you have the makings of an industry that will probably operate in the red in 1983," predicts Eli Lustgarten, a Paine Webber analyst. "Even a 50% increase in machine tool orders over 1982 will not bring the industry up to profitable levels." And the industry's backlog of orders has fallen more than 60% in the past year, to $1.4 billion.

One clue as to when smart executives think the recovery may come: Cross & Trecker isn't going to roll out its new products until the fall of 1984. That's a long way off for a company whose backlog has dwindled to $96.5 million from $353 million a year earlier. CEO Richard Lindgren seems to have some qualms about waiting that long. "Just as we were wrong on the rosy side of the ledger two years ago," he says, "we have to be very careful that we're not equally wrong in predicting doom and gloom in the future. Things are never so good as they seem to be and never so bad as they appear." A good point, that. But his qualms may be groundless. There's little question that the machine tool industry is in for some tough times, maybe for a long time. ■

Industrial equipment and services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Production equipment												
Cross & Trecker	1	24.4%†	20.6%	0.1	1	22.7%†	19.5%	10.2%	2	17.7%	1	32.5%
Sundstrand	2	22.1	17.1	0.3	3	15.0	13.0	7.9	10	11.9	4	19.5
Cincinnati Milacron	3	21.0	9.0	0.3	4	14.8	7.4	3.6	8	12.1	2	32.1
Briggs & Stratton	4	20.3	15.9	0.0	2	19.7	15.1	6.1	7	12.9	9	8.5
Parker-Hannifin	5	16.7	10.1	0.3	5	13.6	8.6	4.0	1	18.6	6	9.4
Norton	6	16.2	5.6	0.3	6	13.5	5.4	2.4	3	14.5	5	13.6
Harsco	7	15.9	11.7	0.3	7	13.2	9.6	4.3	6	13.3	8	8.8
Ingersoll-Rand	8	14.4	9.3	0.4	8	11.0	7.7	3.8	11	11.8	11	6.0
Acme-Cleveland	9	14.4	9.5	0.5	9	10.9	7.6	3.6	5	13.4	3	20.4
Midland-Ross	10	12.8	2.8	0.4	10	10.3	3.6	1.0	4	14.3	10	7.4
Eagle-Picher Inds	11	11.8	5.5	0.4	11	9.6	4.9	2.1	13	8.5	12	1.7
H K Porter	12	10.4	2.0	0.4	12	8.5	4.0	0.6	9	12.1	7	9.2
Chic Pneumatic Tool	13	5.9	def	0.7	13	7.3	1.4	def	12	10.1	13	-5.9
Medians		15.9	9.3	0.3		13.2	7.6	3.6		12.9		9.2
Specialty equip, materials												
Trinity Industries	1	25.7%	13.0%	0.5	3	20.1%	10.9%	4.2%	7	19.8%	5	19.4%
Foster Wheeler	2	24.3	19.2	0.1	2	20.8	18.0	3.9	19	11.3	2	24.7
Cooper Industries	3	24.2	17.9	0.1	1	20.9	14.8	8.4	2	31.5	3	21.9
Combustion Eng	4	20.9	21.7	0.2	13	13.5	14.5	4.3	11	13.7	6	19.0
Ametek	5	20.4	18.7	0.4	7	15.2	13.6	6.2	20	11.0	15	11.3
Harris Corp	6	19.8	11.5	0.3	10	14.5	8.0	3.8	6	20.1	1	25.0
Tyler	7	19.6	9.8	1.4	9	14.7	7.0	1.6	10	16.3	16	10.7
Zurn Industries	8	18.5	17.3	0.2	14	13.5	13.1	5.5	25	8.9	4	20.7
Illinois Tool Works	9	18.2	14.3	0.0	5	17.7	13.6	9.0	17	12.1	11	14.0
Stewart & Stevenson	10	17.8	16.2	0.6	18	12.8	11.4	3.1	9	16.4	13	13.0
Tecumseh Products	11	17.7	12.8	0.0	4	17.7	12.7	6.4	26	7.6	17	10.4
Emhart	12	17.0	17.5	0.1	8	14.9	15.5	4.6	4	20.3	18	10.2
Wheelabrator-Frye	13	17.0	13.5	0.3	11	14.0	11.4	6.2	3	26.9	8	17.1
General Signal	14	16.5	15.4	0.1	6	15.6	14.2	6.9	5	20.2	9	16.9
Stanadyne	15	16.5	11.8	0.2	12	13.8	9.8	4.5	18	11.5	20	8.9
Dennison Mfg	16	15.3	11.0	0.3	16	13.3	9.4	3.6	14	13.2	19	10.1
Avery International	17	15.1	15.0	0.4	20	10.9	10.6	3.9	12	13.3	10	14.5
Ex-Cell-O	18	14.6	13.2	0.1	17	13.2	11.3	5.1	8	19.5	14	13.0
Foxboro	19	14.5	15.1	0.1	15	13.4	14.0	7.2	13	13.3	12	13.3
Timken	20	12.4	4.5	0.0	19	11.6	4.2	8.2	22	10.1	21	6.5

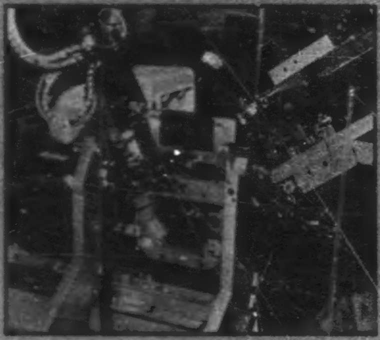
Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. def: deficit.

Whatever happened to R2D2?

Sales of industrial robots were supposed to grow by 45% last year. Instead they grew by 10%, if that, and wound up the year at around $170 million, a drop in the bucket of U.S. industry. Since this was one of the much-touted "answers" to the problem of increasing U.S. industrial productivity, it doesn't seem to make much sense. What happened?

In a word, Detroit. "Our robot industry is too heavily dependent on the automotive business [which uses 60% of all U.S. robots]," says Paul Aron, an executive vice president with Daiwa Securities America. "When autos got hit, so did robots." The high cost of capital did little to make robots attractive to other industries, either.

Worse still, more than 50 American producers are vying for that still-tiny market. Among the latest entries—joining such leaders as Unimation Inc. and Cincinnati Milacron—are IBM and General Motors, both through licensing agreements with Japanese producers. "Everybody jumped into it thinking it would be a big thing, and it became a cost center instead of a profit center," says a spokesman for the National Machine Tool Builders Association.


IBM robot

"Everybody jumped into it."

Of course, many had made the leap when the so-called reindustrialization of America became something of a boardroom buzzword. "A year or two ago, the headlines said factory automation was God's gift to the manufacturing world," says Eli Lustgarten, a Paine Webber Mitchell Hutchins analyst. "That rhetoric has since disappeared, and now you're seeing that factory automation follows the normal cyclical rules." In short, robots aren't recession-proof.

At least not in the U.S. The Japanese market grew by about 50% in 1982, largely because of receptive worker and management attitudes. So Japan, which leads the world with 22,000 installed robots compared with 6,000 in the U.S., further widened its lead in the race to automate. By 1990, the Japanese market should grow tenfold, to $5 billion in annual robot sales, compared with about $2 billion in the U.S. And—you guessed it—a substantial portion of the U.S. total is likely to be accounted for by Japanese-made models.—J.A.B.

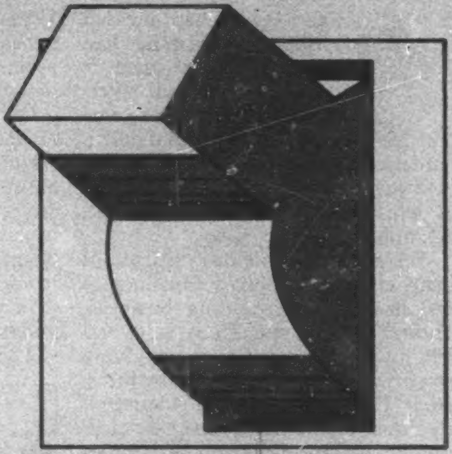
Industrial equipment and services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Rexnord	21	11.9%	2.7%	0.5	22	10.1%	3.5%	1.0%	16	12.1%	23	1.5%
Stewart-Warner	22	10.8	5.0	0.0	21	10.6	4.8	2.9	30	4.9	22	1.6
UMC Industries	23	10.6	6.6	0.7	24	9.1	5.6	2.1	23	9.8	24	–0.4
Research-Cottrell	24	10.4	11.4	0.5	23	10.0	10.4	3.1	15	13.1	7	17.4
McDermott	25	10.3	13.0	0.2	25	7.3	8.5	4.0	1	32.4	27	–5.4
Amerace	26	9.9	2.5	0.4	26	6.5	2.8	1.2	29	5.9	26	–1.9
Dayco	27	9.8	1.3	1.2	27	6.3	2.8	0.3	24	9.5	25	–1.2
Allis-Chalmers	28	1.6	def	0.4	28	3.6	def	def	28	6.6	28	–23.7
Peabody Intl	29	0.6†	1.9	0.3		**	3.3	0.5	21	10.2‡	29	–45.5‡
General Refractories	30	def	def	0.8	29	def	def	def	27	6.7	30	P–D
Medians		15.9	12.9	0.3		13.4	10.5	3.9		12.6		11.8
Industrial services												
Geico	1	25.5%	13.6%	6.6	5	[illegible].6%	8.4%	3.1%	1	44.6%	2	28.2%
PHH Group	2	23.9	20.2	3.6	6	6.0	7.4	6.1	2	29.0	4	21.1
Waste Management	3	23.8	23.7	0.3	2	17.3	18.4	11.0	3	26.1	1	31.9
Anixter Bros	4	21.2	19.4	0.6	3	15.7	14.4	8.0	4	19.8	3	23.3
National Svc Inds	5	19.9	18.8	0.0	1	17.3	16.5	5.7	6	10.3	6	15.8
Browning-Ferris Inds	6	18.5	20.7	0.4	4	12.4	14.5	8.5	5	14.0	5	20.3
Medians		22.5	19.8	0.5		14.1	14.5	5.9		24.0		22.2
Industry medians		16.5	12.8	0.3		13.4	9.6	3.9		13.2		13.0
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. ‡Four-year growth. P-D: profit to deficit. def: deficit. **Not available; not ranked.

What do you when your traditional business runs out of juice? Plug into new outlets.



Electrical equipment

By Subrata N. Chakravarty

YOU WOULDN'T EXPECT an industry seemingly as closely tied as electrical equipment is to the capital spending cycle—and to one of the most stagnant parts of it, electric utility construction—to be awash with optimism. The fact is, there are some definite signs of it.

True, in 1982, all but one of the companies listed here had lower profitability than their historical averages, and median profitability declined significantly. Surprisingly, though, the industry actually widened the profitability gap between itself and the median for American industry as a whole.

Why? Because electrical equipment in reality no longer is that closely tied to capital spending. "Most major companies have changed their composition in the last several years," says analyst Russell Leavitt of Smith Barney. "The mix has shifted away from cyclical, traditional businesses."

The reason: pure survival. Only 25 new power plants came on line in 1981, down from 35 in 1980. And although some utility executives, like A.W. Vogtle of the Southern Co., are going ahead with new construction *(see p. 103)*, most prefer to stay in a holding pattern as long as demand remains stagnant.

So diversification has become the name of the game. Many companies have moved strongly into electronics, defense and services. Those areas are buoying them up nicely. The most broadly diversified companies, such as Emerson Electric and General Electric, performed near their historical averages in return on equity last year,

Satellite News Chan

Westinghouse's Group W Satellite Communications center in Stamford, Conn.
Wiring America in a different way.

and even hard-pressed McGraw-Edison has had more balance since it acquired Studebaker-Worthington three years ago. McGraw-Edison, burdened by debt, has managed to unload unsuccessful consumer businesses, while keeping many of Studebaker's industrial businesses.

Westinghouse, too, has rid itself of many consumer appliance businesses and has sold its lighting business. Though it still gets 33% of sales and 35% of pretax profits from supplying power systems to electric utilities, other lines are growing. Industrial electrical equipment, defense electronics and broadcasting together produce some 50% of profits. The acquisition of Teleprompter, too, put Westinghouse into another hot field, cable television. So far, the only impact has been heavy investment in cable systems and services, but analyst Leavitt expects Teleprompter (now called Group W Cable) will help earnings in years to come. And just last month Westinghouse announced plans to purchase Unimation, the industrial robotmaker, for $107 million. It's another new field that will require heavy investment before paying off.

Westinghouse, in fact, was the only electrical equipment company to show a higher return on equity last year over its historic average. There are some reasons for that. First, equity declined significantly as a result of the uranium contract settlements in 1980. Second, Westinghouse's after-tax earnings have been stronger lately because of a very low effective tax rate (under 23% in 1981).

On the other hand, look at Square D, the industry leader in years past, which has tumbled sharply in profitability. The reason: Square D has chosen not to diversify as much as some others. Without services or defense business and with only a small electronics business, it is heavily dependent upon the old markets—utilities and nonresidential construction.

There is another side to this coin, of course. If diversification provides a degree of balance, it also removes some of the upside leverage. "What it means is that the industry doesn't fall apart in a recession, but on the other hand, it doesn't explode when the economy picks up," says Kidder, Peabody's Robert McCoy. In fact, McCoy expects only a 15% gain in industry earnings in 1983, the same as for the Standard & Poor's 500. Thus, once the economy picks up, Square D stands to improve sharply. McCoy estimates that it will do slightly better than the S&P's 500 in 1983, and in 1984, he says, it will be up an impressive 36%.

Tyco's fire protection sprinklers
Diversify or get burnt.

This year's industry leader is a newcomer to the FORBES list, Tyco Laboratories. An aggressively acquisition-minded company, Tyco gets its principal growth from acquiring and turning around troubled companies, or trying to acquire them. A good part of earnings—some 10% in each of the past three years, over 30% in 1979—comes from capital gains from abortive takeover attempts. For example, Tyco had bought about a third of Cutler-Hammer for $94 million by mid-1978. When Eaton went after Cutler-Hammer a short time later, Tyco tendered its shares for $116 million. Tyco has the highest debt-to-equity ratio in the industry as a result of its purchase of Ludlow Corp. in 1981. But debt is partially offset, says Jerome Connoy of Furman Selz, by the 503,000 shares of Allied Corp. $12 cumulative preferred stock, worth $50 million, that Tyco got when it sold its 19% ownership in Fisher Scientific to Allied. With leadership positions in fire protection and underwater cable, and an opportunity to turn Ludlow around, Tyco, too, should benefit from an upturn in the economy.

With aggressive cost-cutting, tight controls and diversification, the electrical equipment industry has weathered a terrible year. Who says you can't teach old dogs new tricks? ■

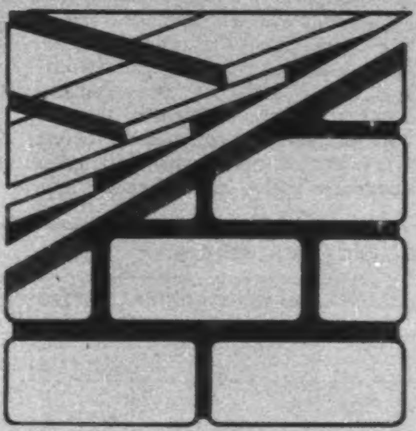
Electrical equipment

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Tyco Laboratories	1	31.5%	19.4%	1.2	8	15.8%	10.8%	4.2%	1	33.7%	1	30.0%
Square D	2	23.3	16.0	0.2	3	18.9	13.2	7.0	8	14.4	9	12.4
Emerson Electric	3	21.5	20.2	0.1	1	20.0	19.5	8.6	4	17.4	7	14.5
General Electric	4	20.4	19.2	0.1	4	18.2	17.7	6.6	9	11.1	10	12.3
National Svc Inds	5	19.9	18.8	0.0	5	17.3	16.5	5.7	10	10.3	5	15.8
W W Grainger	6	19.4	15.8	0.0	2	19.0	14.9	6.5	6	16.2	5	15.8
Harvey Hubbell	7	17.7	17.5	0.0	6	17.1	16.5	8.0	5	16.3	8	13.5
Raychem	8	17.5	11.2	0.1	7	16.0	10.0	5.3	3	24.7	2	26.0
Johnson Controls	9	17.0	15.0	0.3	9	14.3	12.4	4.3	2	27.2	3	18.7
Westinghouse Electric	10	15.6	15.8	0.3	10	13.5	13.4	4.7	12	7.0	4	18.4
McGraw-Edison	11	13.3	11.0	0.8	11	11.8	8.9	2.8	7	15.3	11	10.5
Robertshaw Controls	12	8.9	4.7	0.6	12	7.3	4.6	1.5	11	8.8	12	5.6
Industry medians		18.6	15.9	0.2		16.6	13.3	5.5		15.8		15.2
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.

No one denies that demand for concrete will rebound after the recession. The real question is: Will there be a tremendous shortage of the stuff? Don't hold your breath.



Building materials

By Jeff Blyskal

DURING THE PAST four or five years there have been more potential buyers flocking around cement companies than kids waiting for a chance to write their names in a freshly poured sidewalk. Crane Co. spent $150 million for Medusa Corp. in 1979; Gifford-Hill swallowed Amcord Inc. for $235 million the same year; West Germany's Portland-Zementwerke Heidelberger snapped up Lehigh Portland Cement in 1978 and, for more than $100 million in 1980, U.S. Steel's Universal Atlas Cement. And, most notably, Lone Star Industries, which has been buying capacity left and right, paid $245 million for Gulf & Western's Marquette Co.

What's going on here? Part of the story, at least since 1979, has been that recession and the accompanying prospect of poor earnings had driven cement stocks down. The undervalued assets thus became attractive buys for anyone with the money and the stomach. In addition, with the cost of new-plant construction over $175 million for a million tons of capacity, "it's been cheaper to buy than build," explains Merrill Lynch analyst Jeanne Terrile. That's a familiar refrain in U.S. industry these days, but nowhere more so than in cement.

But there is another reason: the prediction of a big cement shortage in the Eighties. The siren song went up as early as 1977, and as recently as 1980 *Business Week* was talking about shortages that could make cement "as precious as oil." An ironic statement that, considering what is happening to the price of oil.

The number one proponent of the shortage theory has been $900 million (sales) Lone Star, the country's biggest cement producer. The rebuilding of America's highways, bridges and sewer systems will require oceans of cement, says the Connecticut-based company, which recruited Orson Welles to narrate a company film on the need for a strong cement industry free of government meddling.

Such talk of shortages has a curious ring at a time when U.S. industry is running at a low rate of capacity utilization. Yet potential demand is surely there. Government estimates say that to bring the infrastructure back up to snuff by 1990 would cost $2.5 trillion—just $400 billion shy of the U.S.' entire gross national product last year—and require about 2 billion tons of cement. Even operating flat out, the cement industry could produce only 600 million tons by 1990.

Adding to the problem, according to the optimists, U.S. cement-making capacity has been deteriorating for years. And the recession has not helped. "In the past four years, 24 cement plants have been permanently shut down," says Carmine Muratore, Lone Star executive vice president. "The industry has lost 15% of its capacity, which now stands at 85 million tons." Consumption even in this year's weak market, continues the company's second-quarter report to shareholders, will be about 68 million tons. Not all that much leeway there against a major pickup in demand.

Sound alarming? It does, but not everybody agrees. The Portland Cement Association says total capacity is about 90 million tons and is not down but virtually unchanged since 1974. And, while many plants have been shuttered, they were replaced by more modern facilities. In 1981, for example, in 1981 6.3 million tons of capacity were shut down, but 9.1 million tons were added. "That was the most capacity added ever," says Richard Reuss, president of the PCA. Three million more tons are under construction, and another 7.4 million tons are on the drawing boards.

Meanwhile, PCA cement consumption projections show a peak demand for 84 million tons of domestic shipments by 1986. While Reuss points out that the forecast is conservative—based on annual GNP growth of 3%, a 5% CPI, up to 1.85 million housing starts and about 7% unemployment—the PCA projections are down considerably from those made in mid-1980. Then, the PCA saw 88 million to almost 95 million tons' demand by 1985; now it estimates 86 million tons in 1985, 4 million met by imports.

So some industry executives don't buy the crisis-shortage theory, much as they would like to. "I hope we see a shortage," says John Hill Jr., chairman of $560 million (sales) Gifford-Hill, based in Dallas. "But I'm not as optimistic as some. There have been a number of modern plants built, and I think we're going to see much slower and milder economic growth coming out of this recession."

As for the $2.5 trillion rebuilding of America, with the government trying to cut deficits, hold down inflation and still pay for social programs and defense needs, reality will probably fall far short of dreams. Thus far there is primarily the Drew Lewis bill, which would add a 5-cent-a-gallon tax on gasoline to pay for $5.5 billion a year in public works projects. Rob Roy, an economist at PCA, estimates the legislation will create demand for up to 3.5 million tons a year.

Even that much pickup could do wonders for the industry's profitability. Such a demand surge could, Lone Star thinks, run the price from the current $55 per ton to $100. But, of course, Lone Star is the industry optimist, and the fact is that $100 cement could make alternative building materials increasingly attractive. Asphalt can replace cement in roads; slab and pier foundations use far less concrete than homes built with full basements; and steel will be more competitive with poured and prestressed concrete in bridge building. If modern technology has taught us anything, it is that in this age of substitutability, demand for almost all products is highly price-sensitive. Anyone who doubts that need only recall what is happening to oil.

Then there's foreign competition, which in the last boom year, 1979, contributed 9.4 million tons—11% of U.S. demand. Overseas producers can bring cement into the U.S. at $47 a ton, versus that $55 U.S. price—the reason Kaiser Cement has filed a petition against alleged dumping of cement by Japanese and Australian companies in its West Coast markets.

Building materials

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Lumber												
Weyerhaeuser	1	13.2%	4.6%	0.5	2	9.6%	4.3%	3.7%	5	10.0%	4	2.3%
Georgia-Pacific	2	12.7	5.5	0.7	4	8.1	3.5	2.2	3	13.0	3	2.4
Willamette Inds	3	12.4	def	0.7	1	9.7	1.3	def	2	13.8	6	1.1
Champion Intl	4	11.1	0.9	0.5	6	7.5	2.4	0.8	6	7.3	7	0.0
Louisiana-Pacific	5	10.7	def	0.2	7	7.3	def	def	1	15.6	5	1.8
Boise Cascade	6	10.4	0.1	0.6	3	8.2	2.0	0.1	4	11.4	1	6.0
Southwest Forest Inds	7	8.1	def	1.0	5	7.5	1.3	def	7	6.8	2	4.5
Edward Hines Lumber	8	def	def	0.4	8	def	def	def	8	5.8	8	P-D
Medians		**10.9**	**def**	**0.6**		**7.8**	**1.7**	**def**		**10.7**		**2.1**
Cement and gypsum												
United States Gypsum	1	16.0%	7.1%	0.2	1	11.6%	5.8%	3.8%	4	9.5%	1	18.4%
Ideal Basic Inds	2	13.0	def	0.7	5	8.5	def	def	2	9.6	5	5.0
Lone Star Industries	3	12.3	def	0.6	4	9.1	2.2	0.5	5	5.3	3	10.3
National Gypsum	4	12.1	3.1	0.4	3	9.2	2.8	1.7	3	9.5	2	11.7
Gifford-Hill	5	11.6	def	1.2	2	9.5	3.2	def	1	14.5	4	7.8
Medians		**12.3**	**def**	**0.6**		**9.2**	**2.8**	**0.5**		**9.5**		**10.3**
Other building materials												
Vulcan Materials	1	21.6%	15.8%	0.2	1	15.5%	12.1%	8.6%	2	12.6%	4	15.6%
H H Robertson	2	18.6	19.2	0.2	2	14.6	17.0	4.0	4	11.1	1	19.7
PPG Industries	3	14.0	9.3	0.3	3	10.5	7.3	4.7	6	9.6	5	11.0
Ceco	4	12.4	9.2	0.2	4	10.0	7.7	2.6	7	9.6	3	16.1
Owens-Corning Fbgls	5	11.4	3.1	0.4	5	9.3	3.2	1.0	1	17.2	9	3.3
Crane	6	11.3	2.6	0.6	9	8.0	4.3	0.9	14	5.8	12	–3.2
SCM	7	11.0	6.7	0.4	8	8.3	5.4	1.8	10	7.7	6	9.2
Evans Products	8	10.6	def	1.1	5	9.3	0.7	def	9	7.8	2	18.2
DeSoto	9	10.2	4.7	0.2	7	8.5	4.5	1.7	15	3.6	7	7.1
Jim Walter	10	9.6	0.7	1.0	11	6.7	2.8	0.3	8	9.2	13	–3.3
Armstrong World Inds	11	8.9	3.2	0.2	10	7.6	3.4	1.5	12	7.3	10	2.3
Sherwin-Williams	12	8.0	11.0	0.7	13	5.7	7.5	1.8	5	9.9	8	5.6
Manville	13	7.3	def	0.4	12	6.7	2.8	0.9	3	12.0	11	–2.4
Certain-teed	14	1.6	def	0.5	14	3.5	def	def	12	7.3	14	–29.6
Bird & Son	15	def	def	0.4	15	def	def	def	11	7.6	16	P-D
GAF	16	def	def	1.6	16	def	0.9	def	17	–2.3	16	P-D
Masonite		**	def	0.1		**	def	def	16	0.4‡‡	15	–35.8‡‡
Medians		**10.4**	**3.1**	**0.4**		**8.2**	**3.4**	**1.0**		**7.8**		**3.3**
Building equipment												
Dover	1	27.0%	24.1%	0.1	1	23.6%	22.0%	8.9%	1	19.1%	1	22.2%
Masco	2	23.5	19.9	0.7	3	14.3	13.0	11.0	2	18.1	3	16.7
American Standard	3	21.4	6.8	0.4	2	15.2	5.7	2.0	5	7.6	2	18.9
Butler Manufacturing	4	13.4	6.9	0.3	4	11.3	6.0	2.6	4	8.1	6	3.8
Trane	5	13.4	11.0	0.4	5	10.9	8.9	3.8	3	11.8	5	14.7
Scovill	6	11.2	9.6	0.7	6	9.2	8.5	2.3	6	6.8	4	15.2
Medians		**17.4**	**10.3**	**0.4**		**12.8**	**8.7**	**3.2**		**10.0**		**16.0**
Industry medians		**11.4**	**3.1**	**0.4**		**9.1**	**3.3**	**1.3**		**9.5**		**8.3**
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
‡‡Three-year growth. P-D: profit to deficit. def: deficit. **Not available; not ranked.

"They're selling export cement for less than they're selling cement in their home country," complains Kaiser Chairman Walter Ousterman.

The recent takeover spree has given foreign companies like Portland-Zementwerke Heidelberger, Canada Cement LaFarge and Société des Ciments Français a stronger toehold here. Today, foreigners own close to 30% of U.S. cement capacity. That's a vote of confidence, of course, in the future of the U.S. cement industry.

Where does this leave Lone Star? Since cement cannot be economically transported over land for more than 200 miles, concrete is a regional business, and thus Lone Star is basically a lot of little regional companies. By being the nation's biggest, Lone Star gains geographic diversification. But that has not necessarily made it more profitable. Compare Lone Star's five-year return on equity of 12.3% with $285 million (sales) Texas Industries' 23%. And TI is saddled with half a steel mill to boot.

Lone Star is heavily committed in the East and increasingly in the Northeast, thanks to the Marquette acquisition. That is a market with tight competition. "There are six dogs fighting over three bones in the Northeast," comments Hill. But Lone Star bought its eastern capacity at a low price, an advantage not to be sneezed at.

While Lone Star has bought old plants, Kaiser, with whom it competes in California, has modernized. All five of Kaiser's U.S. plants have switched from fuel oil to cheaper coal and, more important, to the dry-production process, which cuts 30% to 40% off energy costs. Says Kaiser's Ousterman: "You'd have to say our philosophy is directly contrary to Lone Star's." Another cement company going the modernization route: Ideal Basic Industries, which over the past three years has spent almost $700 million on plant (to twice-as-big Lone Star's $441 million).

Lone Star CEO James Stewart is going his own way. Five years ago he charted his course. He would buy old capacity and fix it up instead of building brand new capacity: more expansion for the buck. That's an appropriate posture for a man who believes that shortages lie ahead. He has gotten some bargains, but Lone Star could be vulnerable if the expected demand doesn't materialize. Stewart is clearly a man who puts his money where his mouth is. ■

Even the optimists of the housing industry are talking about changes so fundamental as to amount to a new economic order. Will the glory days ever come back? Not until this painful transition is completed.

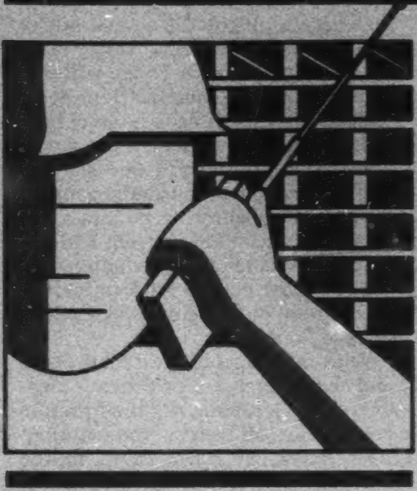
Contractors

By Michael Cieply

TALK WITH A BUILDER for five minutes, and you will hear less about brick and mortar—or the 1.3 million housing starts most predict for this year—than what they regard as the step-by-step decimation of America's home financing system. The Fed tightened credit controls in 1979, just as the housing cycle turned down. As deregulation began, the thrifts went to short-term investments. Consumers said no to the variable-rate mortgage. Result: a three-year depression that saw housing starts dwindle to barely 1 million, the lowest level since 1946, and left as many as 50% of builders idle last summer.

Ryan installs a prefabricated kitchen

"They're taking everything but the squeal out of the pig."



So even optimists like Malcolm Prine, president and chairman of Pittsburgh-based Ryan Homes, Inc., speak somberly of fundamental changes these days. "For all of my lifetime, housing has been financed by the small saver," says Prine. "But public policy said the saver was subsidizing the home buyer. So we changed all that—and in the process we worked a huge revolution in this business. The S&Ls, representing about 70% of housing finance prior to 1978, are now going down, in my opinion, to between 25% and 33% of the business."

Translation: Don't look for a full recovery just yet. As the cycle picks up, builders must scrounge for at least $60 billion a year in new financing sources. Yet the glory days—say, 2 million starts, as in 1977—could be in the cards for the mid-1980s. Why? First, because the baby-boom generation is severely underhoused, demographics still dictate expansion. But, more important, because the financial revolution, painful as it may be, is finally beginning to stabilize.

Consider these promising signs:

- Insured money market instruments, authorized since Dec. 14, 1982 in denominations as low as $2,500, will prove a powerful savings magnet for the thrifts. Chairman Anthony Frank of San Francisco's First Nationwide Savings predicts that in 1983 the cash-rich survivors among the S&Ls, with $60 billion in new funds to invest, will begin coming back to what they do best: the 30-year mortgage, possibly fixed-term, with interest rates as low as 11.5%.
- Barriers to pension-fund mortgage investment are falling. Since last May, a Labor Department class exemption has permitted construction unions to buy qualified mortgage instruments. But the big break may come with pending legislation to let the entire $550 billion private pension system invest freely in residential mortgages (FORBES, *Dec. 20, 1982*).
- Deprived for so long of cheap cash from the S&Ls, builders have been learning to fend for themselves. A full 55% of Ryan's homes, for example, are now financed by mortgage-backed bonds, which the company sells for $1,000 on the retail market. Both Pulte and U.S. Home go straight to capital markets with similar instruments. By relying on themselves, these big builders have managed to increase market share, while myriad small firms died in the crunch.

For all that, one last financial jolt will have to be absorbed before the

Contractors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Heavy construction												
Parsons	1	28.8%	27.4%	0.1	1	24.2%	24.8%	3.3%	10	10.3%	2	22.9%
Turner Construction	2	22.3	26.4	0.6	2	20.6	17.2	0.5	4	19.7	7	16.8
Fluor	3	22.1	11.5	0.6	3	17.4	7.6	2.5	1	31.3	3	19.8
Blount	4	21.3	17.1	0.7	6	13.2	11.5	1.7	8	12.7	5	19.1
CBI Industries	5	20.8	22.5	0.1	4	17.1	17.2	8.0	12	8.4	9	11.9
Morrison-Knudsen	6	16.4	13.9	0.3	5	13.2	11.1	1.7	5	16.8	4	19.1
Fischbach	7	15.9	18.9	0.5	7	12.7	13.6	2.0	11	10.0	10	10.1
Dynalectron	8	13.1	20.1	0.3	8	10.9	15.6	3.0	6	16.7	6	18.2
Raymond Intl	9	11.9	9.1	0.5	10	9.8	7.4	0.9	2	28.6	11	1.9
Perini	10	11.3	14.9	0.1	9	9.9	13.6	1.4	3	22.7	8	14.3
Dravo	11	9.1	2.1	0.3	11	8.6	3.8	0.4	9	12.2	12	−1.8
Dillingham		**	8.3	0.3		**	7.0	1.8	7	15.4‡	1	28.3‡
Medians		**16.4**	**16.0**	**0.3**		**13.2**	**12.6**	**1.8**		**16.1**		**17.5**
Home building												
Centex	1	19.6%	8.9%	0.3	2	8.4%	5.3%	3.0%	2	18.7%	3	21.3%
U S Home	2	16.0	def	0.9	3	8.1	def	def	1	18.9	2	24.4
Ryan Homes	3	12.3	1.1	0.2	1	11.2	1.7	0.4	3	12.7	4	0.8
Kaufman & Broad	4	6.3	def	0.8	5	5.2	0.9	def	4	8.5	1	29.8
Del E Webb	5	5.8	def	1.1	4	8.0	4.0	def	5	6.0	5	−3.5
Medians		**12.3**	**def**	**0.8**		**8.1**	**1.7**	**def**		**12.7**		**21.3**
Industry medians		**16.0**	**11.5**	**0.3**		**11.1**	**7.6**	**1.7**		**15.4**		**18.2**
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. def: deficit. **Not available; not ranked.

wracked housing industry can regroup. An estimated $7.3 billion in balloon payments, the legacy of creative financing at the end of the last boom, are scheduled to come due by 1985. As early as last October, 50% of FHA loans went to refinance existing home deals while drawing cash away from the new-home market.

Another serious concern: After three years of drought, will the industry have the muscle to come back in force? Michael Sumichrast, chief economist of the National Association of Home Builders, says yes, in spite of the fact that NAHB membership has declined more than 14% since 1981, the first such attrition in any downturn. "The only thing you worry about losing is the trained craftsman," says Sumichrast. "But new people come in quickly. That's the nature of the business."

Maybe so. Yet even if the rebound is fairly sharp, as Wall Street bets it will be, with many housing stocks trading at year-end at roughly triple their bottom levels, the recovery is likely to represent a whole lot more of less. In Sumichrast's words: "We're doing now what the auto industry did, downsizing."

Indications of that scaling down abound. Although starts were up 31% last fall, single-family detached units actually declined from peak levels last year. The big increase—40%—was in new permits for multifamily dwellings. In fact, big builder Ryan reports that three of its top six selling units are attached town houses. In 1978 all six top sellers were big-revenue, two-story and split-level, freestanding homes.

All that means less value per unit, though earnings should be strong for most major builders, largely because productivity improved during the long downturn. The Ryland Group and Ryan should still do well by concentrating on the first-time-buyer, where there is pent-up demand, and by shaving costs to the bone through prefabrication. Says analyst John Lynch, of Lynch Research & Investment: "Ryan has survived by doing what the meatpacking companies learned to do in Chicago. They're taking everything but the squeal out of the pig and packaging it." Texas-based Centex and U.S. Home will still reap enormous advantage from geography. "Texas is going to be great next year," says Lynch. "In Houston alone, you're going to have 50,000 starts. I don't know how many you're going to have in all of California, but not a hell of a lot more." The reason: California's high land costs, which could mean a slow pickup for Kaufman & Broad, now building only in California and France.

With rents up, building costs down and commercial downtown areas overbuilt apartment construction could take off across the country. Lisle Payne, president of $1 billion San Francisco real estate investment company Fox & Carskadon, says he will divert 75% of funds from office space into conventional apartment rentals in 1983.

Sounds great, doesn't it? But an industry this battered is almost afraid to hope for the best. In the words of Centex Chairman Frank Crossen: "We like it so far. But let's just pray this thing's gonna hold." ■

Beyond the pork barrel

"They used to call this pork barrel," drawls Texas-born H.C. (Tony) Heldenfels, president of the Associated General Contractors of America. "Now we like to call it 'maintaining your investment.'" Contractors would be delighted to see Congress spend $5 billion a year in gas-tax money repairing the nation's highway system, but the savvy Heldenfels is also betting on a piece of sleeper legislation that may give heavy construction an equal boost—and won't cost the taxpayer an extra dime.

Under Senate Bill 2278, introduced last year by John East of North Carolina, all construction under federally assisted programs would be subject to mandatory "cost comparison review." In practice, that means competitive bidding. Most federal projects are already contracted out. But at least $4 billion worth of federally assisted state and local work is done by employees on the public payroll.

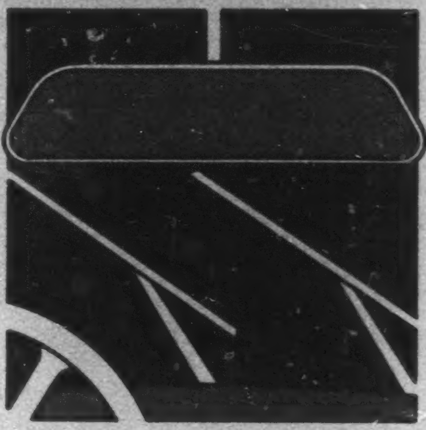
Heldenfels figures phasing out such work would save between 25% and 50% of cost on most jobs. "Contractors are hungry right now," he points out. "Price competition would be pretty fierce." But some powerful special interests would have to be breached, such as the sacrosanct Tennessee Valley Authority, which employs its own labor on as much as $2 billion in building and repairs each year.—M.C.

AGC President H.C. Heldenfels

Among work-starved contractors, "price competition would be fierce."

It won't be easy for auto parts suppliers to profit from the Japanese automobile plants in the U.S. In fact, there seems to be a lot more threat than promise in them.

Auto suppliers



By Barbara Rudolph

A GROWING PART of the Japanese automobile industry is now situated on U.S. soil. Nissan has a new light-truck plant in Smyrna, Tenn. and Honda has just opened a plant in Marysville, Ohio. That should present some welcome opportunities for American auto parts and supply companies, right? Not exactly. The Japanese, it seems, have done it once again.

Nissan may say that 38% of its parts will be bought from American companies. But they will be the less sophisticated and less profitable ones. Plenty of dashboards and seat covers, but no engines, no brakes. "Every day I read Nissan's published list of parts," sighs William Butler, president of Eaton's auto parts group. "Sure, they are buying from domestic companies, but look closely and it's all stuff like adhesive."

In fact, the growth of Japanese auto manufacturing in the U.S. will be at best a real challenge for American parts suppliers and at worst a threat. Japanese manufacturers don't have to buy U.S. parts, after all, as matters now stand. They can export them from Japan, or even persuade their suppliers to come along. "The foreign threat to domestic parts companies is potentially great," says Robert Orsini, vice president at William C. Roney & Co. Dana Corp. Executive Vice President George Doresco agrees: "Competition [with Japanese parts companies] will keep increasing. I see no reason for it to stop."

Japanese auto parts companies—names like Stanley Electric and Nippondenso—are relatively small companies, with long-held ties to giants Nissan, Honda and, especially, Toyota, which refers to them as its "family." And apart from the political incentive to "buy domestic," it seems logical to suppose that Japanese companies want to do business with Japanese suppliers, whether their plants are in Japan or Ohio. A case in point: Nissan trucks will be fitted with steering wheels from an American subsidiary of Isumi, a Japanese company. That is business that might have been snared by Sheller-Globe, which has fully half of the U.S. market for steering wheels.

Japanese manufacturers would be forced to buy American if Congress passed proposed "local content" legislation. The bill, which is supported and, some say, almost entirely written by the UAW, would require between 75% and 90% American content in U.S.-made Japanese cars. It probably won't pass under Reagan, but that could change if the Democrats win in 1984, especially if both unemployment and automobile imports remain high.

Obviously, too, passage of local content law would mean more expen-

Collapse of the carburetor?

Back in 1962 you were the king of cool if you spun around town in a flashy Corvette. But you might not know one distinction the car enjoyed: It was the first American car without a carburetor.

Some Corvettes sported a mechanical fuel-injection system, a fluke that soon passed from the scene. But today fuel-injection systems claim about 20% of the market, and Robert Orsini predicts that by 1986 the carburetor will be all but extinct. "It's going the way of the buggy whip," he says.

Both carburetors and fuel injectors serve the same function: taking gasoline from the tank, mixing it with air and squirting it into the engine. While carburetors do not precisely distribute the fuel and air, the fuel injection system's electronic meter means each cylinder gets the same amount of fuel. It doesn't come cheap, though: Fuel injection is three times more expensive than the carburetor.

So far, Bendix has been the only American company to make any real money on fuel injection systems. Other manufacturers include Hitachi; Lucas, a British company; and the German giant Bosch, which introduced a diesel injection system in 1927.

Until recently there were three U.S. producers of carburetors—Holley Carburetor, a division of Colt Industries; GM's Rochester Products; and ACF's Carter Carburetor. ACF recently sold Carter to an Italian company, Weber. And several years ago Rochester began moving out of the carburetor market.

Then there's Holley Carburetor, a classic illustration of misreading a changing market. Several years ago it began aggressively promoting its "electronic carburetor," a more sophisticated version of the same old thing. While Holley denies that the market for carburetors is collapsing, the company is diversifying, too. Still, Holley is grabbing a large share of the aftermarket—that is, fixing all those broken-down old carburetors that linger on the road.—B.R.

sive cars for American consumers—about 10% to 15% more expensive, according to a Department of Transportation study. "It could be a Smoot-Hawley tariff all over again," says Prescott, Ball & Turben's Art Davis. "Local content would just let American automakers get fat and lazy."

Davis is more optimistic than most analysts about the prospects of U.S. suppliers with a greater Japanese manufacturing presence. There is a good chance the Japanese would form joint ventures or even acquire American parts and supply companies, he says. "The trend has to be good for strong-niche companies like Sheller-Globe and Federal-Mogul." Maybe that's true. But history would suggest that the Japanese are not about to buy a sizable American company. Consultant James Harbour, for one, dismisses all talk of takeovers and joint ventures as "dreamland." Technical agreements between American and Japanese companies are something else, of course, and Nissan USA Vice President Tom Benefield predicts those will increase.

All this does not mean U.S. parts suppliers will be inevitably frozen out. "The Japanese don't play games, but a U.S. company could get the business if it demonstrates it can offer quality and productivity," says Harbour. Hoover Universal has already shown the way. It will be making seats for Nissan's American pickup trucks—more business than any other American supplier has nailed down so far. That is mostly because Hoover had established contacts with the Japanese 25 years ago, when it set up a joint bearing manufacturing plant in Japan. Seat parts are not exactly high tech, to be sure, but it's a start.

Finally, there is a real possibility that the situation simply stays the same, with U.S.-sited Japanese plants bringing in as many parts from home as they choose. Says Eaton's Butler: "They could just keep on loading their boats. And that's not good news for us at all." ■

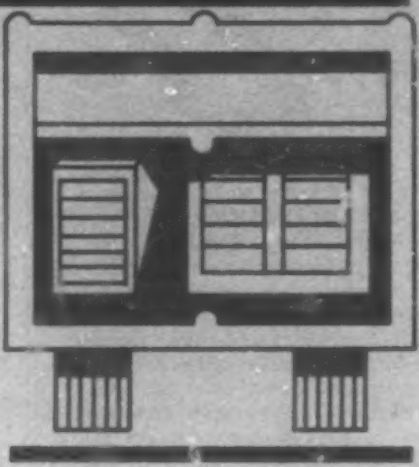
Auto suppliers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Tire and rubber												
Goodyear	1	9.6%	9.9%	0.4	1	7.7%	3.2%	2.7%	3	8.7%	1	4.9%
Genl Tire & Rubber	2	8.1	3.3	0.2	2	6.7	3.4	1.6	5	4.1	3	–2.5
B F Goodrich	3	6.2	def	0.7	3	5.8	0.9	def	2	8.9	2	3.2
Armstrong Rubber	4	5.3	12.3	0.6	4	5.5	9.5	2.7	1	9.4	4	–5.1
Firestone	5	def	def	0.3	6	1.0	0.9	def	4	4.3	5	P-D
Uniroyal	6	def	8.0	0.8	5	1.8	6.0	2.0	6	0.8	5	P-D
Medians		5.8	5.7	0.5		5.7	4.7	1.8		6.5		–3.8
Parts makers												
Snap-On Tools	1	24.5%	18.5%	0.1	1	21.2%	16.5%	9.1%	2	16.4%	3	18.6%
Lear Siegler	2	24.2	17.0	0.4	3	15.0	12.9	4.7	6	14.4	1	22.2
Genuine Parts	3	20.8	18.6	0.0	2	20.9	21.3	5.1	3	15.7	7	14.4
Purolator	4	19.1	23.5	0.5	5	14.3	16.4	3.7	9	13.3	9	11.2
TRW	5	19.1	14.0	0.2	10	12.5	9.2	3.7	11	12.1	11	10.8
Bendix	6	19.1	9.0	0.3	4	14.9	7.9	3.2	20	7.9	4	17.1
Federal-Mogul	7	17.9	13.1	0.5	7	13.9	9.5	4.0	10	12.4	5	16.6
Rockwell Intl	8	17.7	17.4	0.1	8	13.6	14.5	4.5	22	7.1	8	13.8
Johnson Controls	9	17.0	15.0	0.3	6	14.3	12.4	4.3	1	27.2	2	18.7
Hoover Universal	10	14.7	9.4	0.4	13	11.0	7.5	2.9	15	10.2	15	5.8
Dana	11	14.6	7.3	0.4	11	12.1	6.6	3.0	5	14.6	13	6.2
Borg-Warner	12	14.2	13.7	0.1	9	12.8	12.3	5.6	18	8.9	6	14.7
Echlin	13	14.0	13.4	0.3	12	11.6	11.6	5.4	4	15.2	16	5.6
PPG Industries	14	14.0	9.3	0.3	14	10.5	7.3	4.7	16	9.6	10	11.0
Esco	15	13.2	14.0	0.5	17	9.5	10.5	2.9	12	11.9	19	1.6
Eaton	16	12.8	5.7	0.5	18	8.9	5.0	2.1	13	11.8	17	4.4
Barnes Group	17	12.7	def	0.3	15	10.5	def	def	7	13.8	12	6.6
Champion Spark Plug	18	10.9	5.9	0.1	16	10.2	6.1	2.9	14	10.3	23	–3.4
Allen Group	19	10.7	2.1	0.6	19	8.3	3.7	0.5	21	7.3	14	5.9
Cummins Engine	20	10.3	2.6	0.4	20	7.9	3.0	1.2	8	13.5	18	3.2
Dayco	21	9.8	1.3	1.2	23	6.3	2.8	0.3	17	9.5	21	–1.2
Arvin Industries	22	9.6	4.6	0.4	22	7.4	4.8	1.7	23	7.1	22	–1.8
Libbey-Owens-Ford	23	7.7	3.1	0.4	21	7.4	4.1	1.6	19	8.5	24	–6.3
Sheller-Globe	24	7.0	12.7	0.8	24	5.5	7.9	3.2	24	6.2	25	–13.7
A O Smith	25	4.8	def	0.4	25	4.7	def	def	25	5.1	20	1.3
Medians		14.0	9.4	0.4		11.0	7.9	3.2		11.8		6.2
Industry medians		12.8	9.3	0.4		10.3	7.5	2.9		9.6		5.6
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit.

Well-managed trucking companies, large and small, were expecting a recovery in 1983. But watch the joker in the pack—taxes.



Truckers and shippers

By Allan Dodds Frank

"WE'VE GOT A VERY DIFFICULT economy and everybody has to scramble," said Charles Zodrow as 1982 drew to a close. Zodrow is the closemouthed chairman of a tight-lipped company, $1.1 billion (sales) Roadway Express, the nation's largest trucker, so that is about all he had to say about 1983—until President Reagan and Congress sought more "revenue enhancement" from truckers. "The economy is completely unknown," says Zodrow, and the new taxes would be "costly and very questionable unless offsetting productivity gains (in equipment size and weight laws) are also passed."

The 5-cent-per-gallon increase, for example, would add $500 million a year to the industry's tax bill. The American Trucking Association went along with the 5-cent tax, hoping to head off increases in the heavy-use tax and the annual-use tax based on vehicle purchase price. These could triple the annual tax on larger trucks, the ATA says, to nearly $4,400. Worse from the interstate truckers' viewpoint, such changes are biased against them specifically, since the taxes on some smaller trucks would be reduced on the grounds that they do less damage to the roads.

Trade associations sometimes have a way of crying doom and gloom in the heat of lobbying; what it does show, though, is how easily tax changes could change a fragile recovery for any given industry in 1983 into a tough year indeed.

The $42 billion (revenues) interstate trucking industry, moreover, is in a more fragile state than most. It is still working through the toils of deregulation, now in its third year. The adjustment has been traumatic, and the trauma is far from over. The ATA had expected at best a small collective profit for the industry this year—ab-

The half-full glass

An optimist sees the glass half full, a pessimist sees it half empty. Deregulation is a little like that. Carolina Freight Carriers Corp. is one of the optimists. There were so many advantages to deregulation, says Carolina's president, Kenneth G. Younger, that "we didn't want to spend five minutes worrying about the unpleasant things."

For example, says Younger, look at the ease with which a trucker can get new operating authority without yesterday's long ICC process. "We've opened up new terminals—we've now got 117 in 24 states—that would have taken years before," he says. Deregulation of the railroads has helped, too; Carolina now finds it easier to ship piggyback loads to Texas and California.

Of course, Carolina has a lot going for it. It has a nearly new fleet of trucks getting more than 6.1 miles to the gallon vs. 5.2 mpg for the industry, no short-term debt and moderate long-term debt (at 9.1%), an untapped $10 million credit line and a nonunion subsidiary, Cardinal Contract Carriers. Smaller carriers have plucked off some of Carolina's truckload business (10,000 pounds or more), but Younger says the company now hauls 55% of its tonnage (and generates 85% of its revenues) in much more profitable less-than-truckload lots.

Started in 1933 by now-Chairman C. Grier Beam with one used Chevrolet truck, Carolina Freight has grown nearly 17% annually for the last five years and is now the 11th-largest trucking company in revenues and sixth in profitability. "We plan to expand in an orderly fashion," says Younger. "We're not going to overextend ourselves to expand anyplace." But Carolina has a big reach and has just made cargo connections with companies in Europe and the Caribbean. Transportation analysts call it the epitome of what smart management can do to take advantage of deregulation. No wonder Younger's an optimist.—A.D.F.

CAROLINA
CAROLINA
CAROLINA

More expansion, more mileage, lower costs
"We're not going to overextend ourselves to expand."

sent any big tax increases.

The deregulation shakeout, for example, is already in progress and probably will continue. Johnson Motor Lines has already chosen to liquidate rather than to stick it out, while others, such as Time-DC and Spector Red Ball, went bankrupt. A recovery might not stave off more consolidation, says trucking analyst William Legg of Alex Brown & Sons: "This time the commercial bankers have been badly burned. In prior recessions, even if a company went bankrupt, it still had a fairly high value. Now there is a glut of terminals and equipment on the market, as well as operating rights that are now worthless. So I don't think the bankers are going to lend to carriers that have been on the edge of insolvency."

The big nationwide truckers—with efficient management, higher fuel efficiency from newer equipment, and discounts of 20% or more from rates that have gone up 35% since deregulation—have been gaining market share. They have been helped by a wage agreement with the Teamsters that limits increases to 5% a year through March 1985.

Some regional carriers, such as Preston Trucking and Carolina Freight *(see box)* may also do well. Both have managed to use the newly deregulated railroads to expand into distant markets without a lot of capital investment. But other middle-size companies are being squeezed. Once they thrived on truckload-size shipments. Now they are being elbowed out by smaller, nonunion companies for that easy-to-handle cargo—and by the discount rates of big truckers for less-than-truckload shipments of larger shippers. These LTL shipments, three times as profitable as full truckloads, have increased from 48% of major carriers' loads in 1979 to 53% now. Roadway already carries 98% LTL and others may go to 85%.

> ***"You've got a barbell. A bunch of carriers are doing substantially better than the industry, there aren't many in the middle, and there's a big bunch doing very poorly," says trucking analyst William Legg.***

Result: With entry into trucking now possible for anybody who can afford a truck and some insurance, and with 16,000 companies already in business, rates will remain relatively low and hundreds more companies may go under.

Can deregulation be slowed, or even rolled back? Despite grumbling by the trucking lobby and the Teamsters against the Interstate Commerce Commission, probably not. Says analyst Rollins Maxwell of E.F. Hutton, "Deregulation is here forever." Under the Motor Carrier Act of 1980, truckers got antitrust exemptions to make rates collectively until 1984. They're pushing for an extension but probably won't get it; both Senate Commerce Committee Chairman Robert Packwood (R–Ore.) and Senator Edward Kennedy (D–Mass.), the ranking minority member, are opposed. Gone forever are the days when a complaisant ICC passed fat Teamster contract costs on through to shippers. Then, the profitability of the industry looked like a bell curve. Now, says analyst Legg, "You've got a barbell. A bunch of carriers are doing substantially better than the industry, there aren't many in the middle, and there's a big bunch doing very poorly." ■

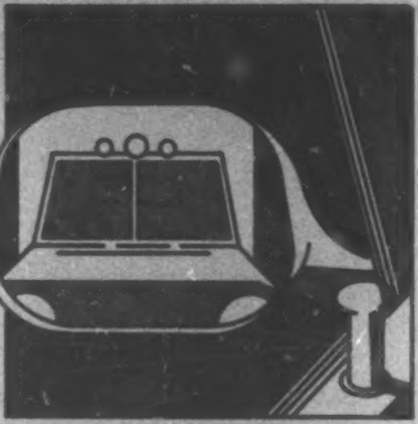
Truckers and shippers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Truckers												
IU International	1	23.1%†	9.7%	0.6	4	9.9%†	7.0%	1.6%	7	3.9%‡	3	17.1%‡
Consol Freightways	2	21.9	12.5	0.2	2	17.6	10.4	4.9	5	11.5	2	17.8
Roadway Services	3	21.0	18.1	0.0	1	19.9	17.7	6.5	2	13.8	4	12.8
Ryder System	4	20.8	16.5	1.1	5	9.6	8.7	4.0	1	20.0	1	30.2
Leaseway Transportation	5	12.8	12.5	1.0	3	10.3	8.3	3.1	4	12.1	5	10.9
Yellow Freight System	6	11.3	6.1	0.2	4	8.3	4.8	1.5	3	18.2	6	–4.3
DLC		**	5.6	1.4		**	**	2.0	6	5.6‡‡	7	–21.0‡‡
Medians		**20.9**	**12.5**	**0.8**		**10.1**	**8.5**	**3.1**		**12.1**		**12.8**
Other surface transport												
Natomas	1	22.1%	9.0%	0.9	1	18.6%	[illegible]	6.2%	1	31.4%	2	15.2%
Ogden	2	16.2	11.6	1.4	6	8.7	[illegible]	2.8	4	6.9	4	8.5
Transway Intl	3	14.9	10.7	0.2	2	11.4	[illegible]	[illegible]	5	6.0	7	4.5
Moore McCormack Res	4	14.6	6.7	0.9	5	9.1	[illegible]	3.5	2	17.8	3	10.5
Greyhound	5	13.6	11.7	0.3	3	10.0	9.3	2.4	6	4.9	5	7.0
Alexander & Baldwin	6	13.5	11.1	0.5	4	9.6	8.1	10.5	7	4.0	6	5.2
Dillingham		**	8.3	0.3		**	7.0	1.8	3	15.4‡	1	28.3‡
Medians		14.8	10.7	0.5		9.8	7.0	2.8		6.9		8.5
Industry medians		18.3	10.5	0.7		10.0	9.1	3.0		11.8		10.7
All-industry medians		15.9	12.7	0.4		11.0	[illegible]	3.4		13.3		12.3

Note: Explanation of Yardstick calculations on page 50.
†Four-year average. ‡Four-year growth. ‡‡Three-year growth. **Not available; not ranked.

When sales finally come back, Detroit's profits leverage might be wondrous to behold. But that's scant comfort right now.



Autos and trucks

By Jerry Flint

"LOOK AT ALL THIS GOOD STUFF," complains General Motors Chairman Roger Smith. "It should be going like gangbusters."

Of course, it isn't—only 5 million cars were built in the U.S. last year, the lowest production in a quarter century. The automakers tried: rebates, low-interest loans, free airplane tickets. Nothing worked. As they sometimes say in Detroit, the dogs weren't eating the dog food.

Sometimes, though, just surviving is good enough. Five companies were building cars in the U.S. when the year started, and five—plus one—when it ended. They got tough in the fire of 1982. GM quadrupled its per-share earnings, Chrysler moved into the black, Ford halved its losses, the bulk of the great downsizing of cars and production capacity was finished and Lee Iacocca told the United Auto Workers to strike and be damned. You wonder what would happen if Detroit could just get back to 1980's production of 6.4 million. The four U.S. producers lost $4 billion that year. If they had that production this year, profits would skyrocket. "When the turnup comes—not *if* it comes—we'll be in," says Smith.

Another million cars? It isn't impossible. There are lots of old cars out there, 90 million or so more than three years old, better than 50 million past six years. Interest rates are dropping. Auto worker wages are frozen, and car prices have stabilized.

The Detroit products are beginning to look and run a little better, too. "When I joined Ford we were known for styling, but we stayed with the yuck too long," says Harold (Red) Poling, who runs Ford's North American operations. Detroit's stylists, put to shame by the Italians and Japanese, are finally getting away from the "box on wheels." New four-cylinder engines and turbochargers are beginning to change the turtle-like acceleration that characterized U.S. cars for years.

And Detroit can afford to get back to improving the vehicle now because the cascade of regulations from Washington has stopped. "We concentrated too much on regulations. We didn't focus on the key ingredients: performance, economy, good ride, handling," says Poling. There also is a plateau in the Japanese onslaught—a high plateau, to be sure—at around 25% of the market. Washington's pressure, not Detroit's product, did

Cheap doesn't sell

Back in the 1957-58 recession, Studebaker (remember Studebaker?) decided to bring out a car for hard times. "We stripped down the car, took off the trim, put in cloth seats, cut the price and called it the *Scotsman*," recalled a product planner. "What a disaster. We must have sold five." Moral: A car that says "cheap" doesn't sell, even in recessions.

For similar reasons, GM's sleek new Camaros and Firebirds, $15,000 loaded, doubled their sales last year despite the industry collapse. Volkswagen has added 16 extra horsepower to its failing Rabbit and come up with the GTI, a hare-raiser that goes from 0 to 60 miles per hour in 9.7 seconds, and then on up to 104. Chrysler has a sports coupe called the G-24 due this fall with a turbocharged engine—it will go 0 to 60 in maybe 7.6 seconds, top speed, 115. General Motors is promoting a plastic-bodied two-seater for fall. Both talk big volume, 100,000 or so. Ford is putting a turbocharger into its Thunderbird and souping up its Escort economy car.

Convertibles are in, too, led by Chrysler's LeBaron. Now Ford and GM are building them, too. "The industry is going to sell a hundred thousand a year, maybe for a couple of years," crows Chrysler's Lee Iacocca.

A long time ago, cars were supposed to be fast, fleshy and fun. Maybe they will be again—some of them, anyway. Will that help? "Let's fool around with stuff we like to fool around with. That's the answer," says Iacocca. Especially when it sells.—J.F.

One of the new breed: Chrysler's G-24 sports coupe due this fall
"Let's fool around with stuff we like."

that—with "voluntary" quotas of 1.8 million Japanese imports a year.

The old competitive spirit lives, too. Lee Iacocca, Chrysler's chairman, will rip away at GM any time: "They got too many layers of management. They claim it's their great committee system, but Alfred Sloan is dead for a long time, and they're still doing it." The bean counters run the place, he says, and the people who know cars get no respect. Roger Smith thinks Iacocca's Chrysler cars are warmed-over soup. They both think Fords are jokes. It's the spirit that once made Detroit great.

Nor is there despair. "The growth curve changed, but it's not wiped out," insists Poling of Ford. "We'll average normal domestic [sales] for the rest of the decade," meaning 10 million car sales a year, including 8 million Detroit-type cars. GM's Smith is even more optimistic. "I don't have any trouble getting back to 14 million vehicles by '85-'86," he says.

Is it possible? A strong last half this year, industry sales of perhaps 6.5 million or 7 million U.S.-type cars, plus 2 million imports? There are plenty of 1983 earnings estimates around based on those assumptions: $8 a share for GM, $5 a share for Ford, $2 to $3 a share for Chrysler. But they all depend on the answer to the question that baffles Roger Smith: Why isn't the stuff going like gangbusters?

One reason is price. A decade ago a bottom-of-the-line Plymouth Duster cost $2,650. A bottom-of-the-line Plymouth Horizon today: about $6,500. The Duster was roomier, more comfortable, carried more load in a bigger trunk, ran faster and probably was safer than today's Horizon, whose only advantage is 30 miles to the gallon instead of 17. Detroit executives don't like to admit this. Ford's Poling says Detroit's new cars pass all types of regulations on safety and pollution as proof of improvement. But GM's Smith admits he's got $1,100 in each car "that the customer doesn't see much value in." He's talking about safety and antipollution features that have been mandated by Congress but are unpopular in the marketplace. You can't fault Detroit for that kind of overpricing, but you can fault it for the general feeling that the Japanese are still ahead in styling and electronics and their image of superior car quality; while Detroit insists its quality is comparable, the U.S. public, rightly or wrongly, seems to think otherwise.

Today's car is slower, less comfortable, with a smaller trunk than the model of ten years ago—and it costs 2½ times as much.

Those problems, plus the depth of the recession, make the survival of the industry downright impressive. In fact, while five companies were building cars in the U.S. on Jan. 1, 1982, there are six today: GM, Ford, Chrysler, American Motors-Renault, Volkswagen and Honda. In another year Nissan's truck plant in Tennessee will be running. Toyota may have to build in the U.S. if it expects to continue to operate in volume here, and Mitsubishi has a standing offer to pick up a couple of plants in St. Louis.

They will have to be tough, for Detroit is tougher, in deed, not just in word. GM's Roger Smith warned the UAW that unless it gave real labor concessions, GM would farm out the manufacturing of its smallest Chevette-size car. The union refused, and GM is ordering its new lines of small cars from the Japanese. Roger Smith isn't anti-union. He simply recognizes that he must get his costs down. No one's been tougher than Chrysler's Lee Iacocca. He has cut the white-collar force in half, from 40,000 to 20,000, dared the UAW to strike, and survived.

Survive. That is all anyone is doing in the auto business. But, under the circumstances, that's not bad. ■

Autos and trucks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Subaru of America	1	63.6%	56.9%	0.2	1	59.9%	48.3%	4.0%	1	41.4%	1	71.9%
PACCAR	2	19.5	8.0	0.0	2	18.3	7.6	3.6	5	11.4	4	14.6
Hyster	3	17.2	3.2	0.2	3	14.4	3.3	2.3	7	10.4	2	17.7
Caterpillar Tractor	4	16.1	3.4	0.3	4	12.7	3.3	1.6	4	11.8	6	6.3
Signal Cos	5	14.9	8.3	0.4	5	11.4	7.1	2.7	2	16.2	3	16.1
Sperry	6	12.6	6.7	0.3	7	9.8	5.9	3.0	8	9.9	5	7.9
Deere	7	12.2	3.9	0.3	6	9.9	3.7	2.0	3	11.9	7	1.7
Fruehauf	8	8.7	def	0.7	9	6.7	0.6	def	6	11.2	8	–1.2
General Motors	9	8.4	5.2	0.2	8	7.9	4.5	1.5	9	8.7	9	–8.9
Clark Equipment	10	4.7	def	0.2	10	4.2	def	def	15	2.2	10	–18.1
Allis-Chalmers	11	1.6	def	0.4	11	3.6	def	def	11	6.6	11	–23.7
Ford Motor	12	def	def	0.3	12	0.4	def	def	10	7.7	12	P–D
Intl Harvester	13	def	def	1.4	13	def	def	def	12	5.6	12	P–D
American Motors	14	def	def	1.0	15	def	def	def	13	5.0	12	P–D
Chrysler	15	def	NE	2.5	16	def	9.2	1.0	16	–3.3	12	P–D
Massey-Ferguson	16	def	def	2.6	14	def	def	def	14	4.1	12	P–D
Industry medians		8.6	def	0.3		7.3	3.3	1.3		9.3		–5.1
All-industry medians		15.9	12.7	0.6		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit. NE: negative equity.

Every silver lining will have its cloud as long as the deregulation pot keeps bubbling away. So why do executives like TWA's CEO say, "Deregulation has been good for us"?

Airlines

By Howard Banks

HERE'S AN INTERESTING projection: By next fall, the world's international airlines should, in theory, collectively go bankrupt. By then, accumulated losses of around $9 billion since 1979 will push the industry's total debt higher than its $22 billion net worth, according to Knut Hammarskjöld, secretary general of the International Air Transport Association.

Of course, IATA, a most purposeful cartel, doesn't intend to let that happen *(see box, p. 174)* and neither will the governments, which own most international airlines. But the U.S. airline market is not a cartel—ever since deregulation, in fact, it has been the polar opposite. And last year major, or trunk, U.S. airlines ran up record operating losses of $525 million, pushing their total losses since 1980 well over $1 billion. So you have to look pretty hard to see why there should be any optimism at all.

True, an economic recovery would be a distinct bright spot. It ought to produce, perhaps, a 5% to 6% increase in traffic—up from 3% to 4% in 1982. There is a great deal of overcapacity, even with the demise of Braniff International, and the airlines continue to pile it on. Capacity rose 7% in the first nine months of 1982, twice as fast as traffic. But even this small traffic increase would have a dramatic effect on profitability. Why? Because an airliner is like a movie theater—once filled to break-even point, the ticket price for each additional seat sold goes almost entirely to the bottom line.

Add to that the effect of decreasing

Airlines

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Federal Express	1	36.2%†	24.6%	0.6	2	23.3%†	16.0%	9.5%	1	53.8%	1	62.9%‡
Emery Air Freight	2	29.6	14.3	1.6	1	26.8	6.1	1.9	9	16.1	7	6.1
Piedmont Aviation	3	23.7	21.5	1.3	5	10.9	11.3	5.1	5	22.9	5	16.8
U S Air	4	23.5	16.9	0.8	4	12.1	9.9	4.8	7	18.2	2	39.9
Frontier Holdings	5	22.8	18.4	0.5	3	14.7	12.3	5.5	6	20.9	4	20.3
Delta Air Lines	6	13.3	def	0.8	7	7.8	def	def	8	16.1	6	6.5
Tiger International	7	4.6	def	3.2	8	5.0	1.1	def	4	26.3	9	−14.3
Northwest Airlines	8	4.0	0.5	0.1	12	3.0	0.7	0.2	14	12.4	8	−12.5
Trans World	9	2.8	def	1.8	10	4.0	1.6	def	17	12.0	3	24.4
UAL	10	2.6	def	1.0	15	2.3	def	def	16	12.2	10	−19.2
AMR	11	1.3	def	1.7	11	3.1	0.5	def	12	14.6	11	−45.2
Pan Am World Airways	12	0.2	def	1.6	14	2.4	def	def	10	14.9	15	D–D
Eastern Air Lines	13	def	def	3.8	13	2.7	def	def	13	14.3	15	D–D
Western Air Lines	14	def	def	3.3	16	1.2	def	def	15	12.3	12	P–D
Republic Airlines	15	def	def	7.5	9	4.5	def	def	3	41.0	12	P–D
Texas Air	16	def	def	7.5	6	7.9	def	def	2	42.2	15	D–D
Braniff Intl	17	def	def	NE	17	def	def	def	11	14.8	12	P–D
Industry medians		2.8	def	1.6		4.5	0.5	def		16.1		−14.3
All-industry medians		15.9	12.7	0.4		11.6	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. ‡Four-year growth. P–D: profit to deficit. D–D: deficit to deficit. NE: negative equity.
def: deficit.

fuel prices—down about 10 cents a gallon at the end of 1982 from the year before—and the relatively tractable mood of airline unions thus far, and it means that with any kind of stability in the market and rational restraint by the airlines, the trunks' bloodletting could end.

Stability and restraint? Unfortunately, they are far from foregone conclusions. All it takes is one new carrier's invasion of another's market—as Eastern did to United and TWA on the transcontinental routes, and New York Air did to Eastern on the Northeast Corridor in 1981—to throw all the economics into a cocked hat. "The problem is that when a new carrier comes in and you allow them a price differential, they take the market away," explains C.E. Meyer, president of Trans World. "You either have to meet their price or get out." This, of course, is most difficult for a high-cost carrier paying high-price union labor—like TWA—facing a newcomer with low costs and minimum staff—like Midway Airlines.

Thus, the industry has not exactly greeted with elation California-based PSA's attempts to rescue part of Braniff. If PSA succeeds in achieving a Braniff resurrection, it could lead to a resumption of the fare war at Dallas-Ft. Worth, which would hurt American badly. And, as consultant Mike Derchin of First Boston points out, rate-cutting has already escalated to the point where "a fare war over one major airport hub now spills over to other hubs—Atlanta, Denver, St. Louis—and then on out through the airline system."

The trunks can ill afford to let this escalation continue. In 1977, the last full year before deregulation, four of the nation's ten most profitable lines were major trunks. In 1982 there was not one on the list—not even Delta, which lost money in both the second and third quarters of 1982. (Delta's employees took up a collection to try to raise the $30 million needed for one of the new Boeing 767s the airline had on order—out of gratitude for the company's policy of no layoffs even in bad times.)

With Delta fallen from grace, the stars these days are exclusively smaller lines. The star of stars: Texas-based Southwest, which has had the industry's highest operating profit margin, an average 22%, and the highest average annual revenue growth, 53%, over the last five years. An example of its tight management is its fast turnarounds at airports. Airline industry executives at a recent gathering, called to bewail their problems, watched with amazement as a Southwest Boeing 737 pulled into an airport gate, disgorged its passengers, loaded up a new group and pushed back out from the gate in just ten minutes. That's about half the time that most airlines would consider a good performance.

Most of the reasons smaller carriers have done better are obvious: nonunion labor; two-man crews in the cockpits; smaller aircraft, better suited to shorter-haul routes; less of the complacency ingrained in the trunks from decades of passing cost increases through a friendly CAB.

Yet there is one other reason that has turned into an object lesson for all airline managements learning to live in a more competitive world: People behave rationally when spending their own money. At the same time that the cost of driving a car over 200 miles increased, the new competition among airlines was driving down the cost of short-haul air travel. So Americans switched from cars to regional airlines.

All in all, then, it may seem a bit surprising that not one of the major trunks will say that deregulation should be reversed. Why? Because they stand to benefit, too—someday. For example, United, the nation's largest carrier, has created its own lower-cost, short-haul operation, Friendship Express, and is cutting fares wildly on routes to Hawaii. It is well poised for substantial profits gains when there is an uptick in traffic. But it could not have made those adjustments without deregulation.

As TWA's Meyer says: "Deregulation has been good for us. We could not have reformed ourselves without it." TWA had not had a major new route award from the CAB for the 20 years preceding deregulation. Now, says Meyer, TWA has been able to create a hub-and-spoke system at St. Louis and one linking its domestic and international routes in New York. "We are now an entirely different airline from 1978," says he.

But will it take another Braniff debacle or two before the survivors

Life after Laker

The U.S. airline market may be a competitive maelstrom, but along the international airways, true competition is called "malpractice"—the term applied to rate-cutting by the International Air Transport Association (IATA) and the 120 international airlines (including Pan Am and TWA) that belong to it.

Not that international airlines never cut fares. Many have—especially IATA's nemesis, Freddie Laker. Even now, when Sir Freddie is bankrupt and out of action, British Airways, for one, continues to offer discounts. The difference is that while the deregulated U.S. industry considers this normal, IATA—in purpose and effect an international cartel—regards it as a mortal sin. At IATA's annual meeting in Geneva at the end of October, for example, the Dutch airline, KLM, led an unsuccessful effort backed by smaller airlines and those from the Third World to apply sanctions for fare-cutting. Members also had to be reminded by Knut Hammarskjöld that they were not legally allowed to discuss capacity controls.

Pan American 747 jumbo jet
Back to the old days?

Laker may be down, but he refuses to stay out. In a lawsuit in U.S. District Court in Washington, D.C., he alleges that six airlines—BA, TWA, Pan Am, British Caledonian, Lufthansa and Swissair—IATA members all, ganged up to run Laker Airways out of business. Meanwhile, the North Atlantic air market is already reverting to the pattern it had before Laker's Skytrain began service in 1977. Cheap charter flights still take only a small share of the total market, but they were up 25% in the summer of 1982 over the year before. Where there's a will there's a way—cartels notwithstanding.—H.B.

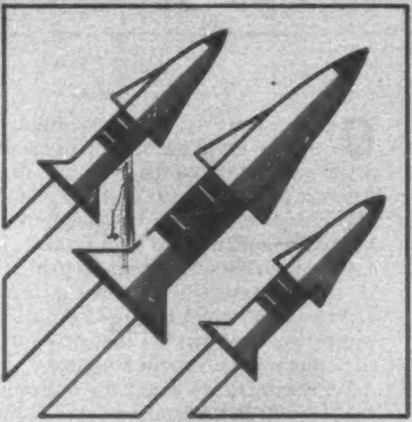
among the trunks can start reaping the benefits? It's hard to say. In the deregulated airlines industry, every silver lining seems to have its cloud. Consider yet one more: the growing power of travel agents.

Ten years ago they accounted for $3.6 billion of domestic ticket sales; last year it was $22 billion, or 60%. There was a time when smaller airlines, especially, didn't care what the travel agents thought of them. No longer. Now, trunk lines led by United are already actively wooing agents with higher commissions.

What that amounts to is a kind of rate war in reverse, and one that—like all the other traumas of the wonderful world of free competition—will ultimately have its effect on profitability. ■

Which contractors will fare best in the struggles to pare down the defense budget? One answer: those on the side of the U.S. Navy.

Aerospace and defense

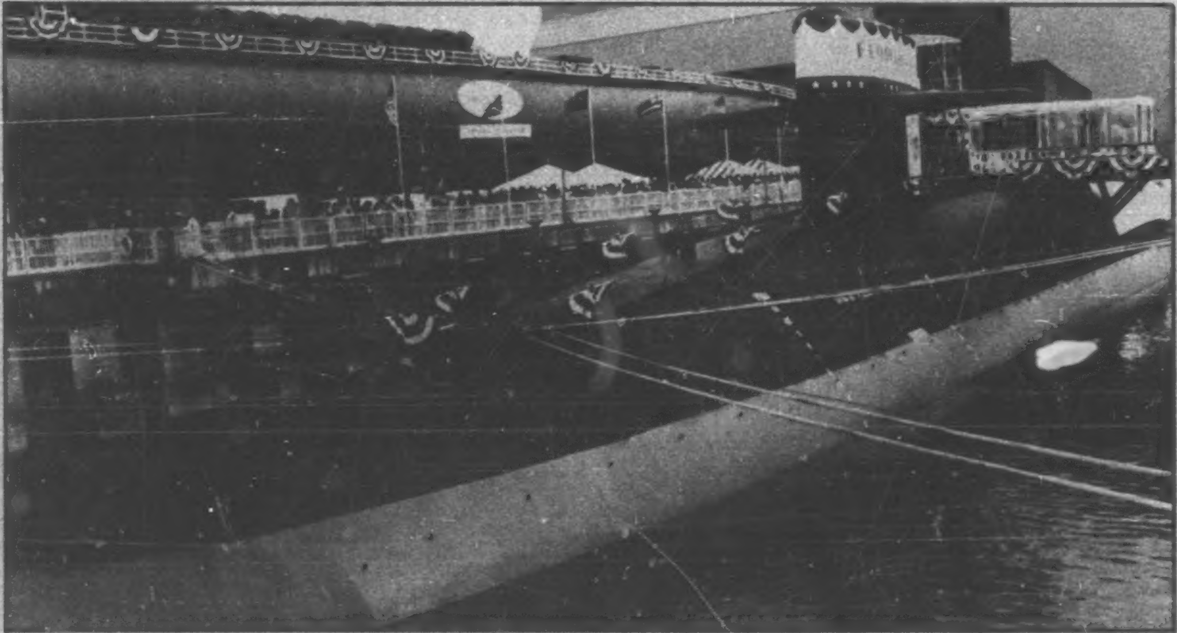


By Howard Banks

"By the end of this decade the traditional roles of the Air Force and the Navy could be reversed," says John Simon, aerospace analyst with Amdec Securities. The Navy's Trident 2 missiles, he says, could be the principal U.S. nuclear deterrent, while the Air Force's main role would be to protect the sea lanes. Adds another expert, consultant William Perry, a former under secretary of defense in the Carter Administration: "I think we'll continue to have a diversity of weapon systems, but the one we'll lean on most will be the submarine."

Why? Because the Trident is based on proven technology, and—more important—it requires no land bases and so is free of the controversy that surrounds the MX.

To see which aerospace contractors could also come out best, look at which are the Navy's. You can see the ascendancy of the Navy, for example,



U.S. Navy's Trident nuclear submarine armed with Trident missiles
Watchword for the Eighties: Go Navy.

in the history of Grumman Aircraft, the Bethpage, N.Y. company that has had only one string to its bow for years: the F-14 fighter. But that is important enough so that the Navy even used its influence with the Justice Department to help Grumman stave off a takeover bid by LTV in 1981, and then ordered more F-14s.

But it is to giants like General Dynamics and Lockheed that Navy contracts mean the most. General Dynamics, for example, is the prime contractor for the Trident submarine itself, while Lockheed makes the missiles. As now planned, the $4.8 billion missile is a downsized version that will also fit the Poseidon submarine. But the Reagan Administration has decided to go ahead with larger Trident 2. The cost of the Trident system has been kept in bounds by what Robert Thurman, chairman and president of Lockheed Missiles and Space Co., describes as "a thoughtful use of new technology, rather than rushing in. You might even say that the program lagged, but it avoided the growing

Waiting for Godot

Over the next ten years, according to Boeing Aircraft Co., the world's airlines will have to buy more than 3,500 new planes worth around $119 billion. Yet in the first six months of 1982, after deducting cancellations and delays on orders, the net new orders for all the aircraftmakers in the world totaled eight.

Few industries have been as hard hit by the recession as airlines *(see p. 172)*, and the industry rule is that airlines won't order in quantity until after five quarters of healthy earnings. So that demand for new airliners may remain pent-up for a while.

For Boeing itself, which has built more than half of all the airliners in the world today, 1982 was the worst year since 1974, and the bust came on the heels of an amazing boom in 1978-80. Now Boeing's total backlog of orders is almost down to where they stood just before that boom began—and the company is carrying the heavy $2.5 billion development costs of its new 757 and 767 jets.

If Boeing is hurting, others are bleeding. Last August McDonnell Douglas had just 24 orders for airliners outstanding, the worst position in its history. In desperation it began offering no-cost leases to the airlines. Now, largely at its own expense and at sizable risk to future profitability, McDonnell Douglas has enough work to keep its airliner plant at Long Beach, Calif. going until late 1984 *(see* FORBES, *Dec. 20, 1982)*.

This aggressive action has had the effect of forestalling all projections about an all-new, 150-seat airliner, by mopping up the available demand. Boeing will hardly mind—the simultaneous launch of the 757 and 767 is enough; in fact, Boeing may have to borrow $1.25 billion to fund the programs until sales get under way.

But the European consortium, Airbus Industrie, will mind very much indeed. The Europeans have done well with sales of the existing larger Airbus, partly because it has sold mostly outside the U.S., and the airlines in the rest of the world are government-funded and so less at the mercy of their balance sheets.

But now Airbus needs a new program to keep its design and marketing team together and has been relying on the 150-seater airliner to fill the bill. There is considerable political pressure to make work, especially from the French government, one of Airbus' three main partners.

No airline, however, is willing to buy an all-new airframe, however modern, unless it has an all-new engine to go with it, to get the best fuel efficiency possible. And until it is much clearer that the airlines are going to order in a big way, enginemakers like Pratt & Whitney and General Electric are not prepared to commit themselves. And the more airlines that as a result turn to an interim solution and order McDonnell Douglas' DC-9-80 (at best, ten-year-old technology) or Boeing's 737, the longer it will be before the enginemakers will decide to invest up to $1 billion developing a new engine. Sooner or later . . . but when?—H.B.

Aerospace and defense

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Todd Shipyards	1	37.3%	27.4%	0.3	4	18.3%	17.5%	4.3%	4	21.9%		D–P
Computer Sciences	2	28.7	16.8	0.5	6	16.5	12.8	3.1	5	20.6	5	22.3%
Fairchild Industries	3	26.8	8.0	0.3	3	19.2	5.2	2.7	1	27.8	2	50.4
Boeing	4	24.9	11.2	0.1	2	21.2	8.3	3.3	6	17.4	3	35.2
Raytheon	5	24.4	21.3	0.0	1	23.0	20.7	5.8	9	16.1	7	22.1
Lear Siegler	6	24.2	17.0	0.4	11	15.0	12.9	4.7	13	14.4	6	22.2
Sundstrand	7	22.1	17.1	0.3	10	15.0	13.0	7.9	17	11.9	8	19.5
Wyman-Gordon	8	21.8	24.6	0.1	5	17.9	21.3	12.2	10	15.8	9	18.6
Rohr Industries	9	20.8	18.9	0.9	24	9.6	12.1	3.3	27	3.5		D–P
Lockheed	10	19.7	128.6	5.4	25	8.7	31.3	3.3	21	8.1	25	P–D

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. D-P: deficit to profit; not ranked.

pains of many new programs."

In addition to the Trident contracts, both companies have a good spread of other military work. General Dynamics, which gets 76% of its profits from the military, makes the Air Force F-16 fighter, the standard by which all other fighters in the world are now judged. The F-16 will probably be in production until the end of the century. For the Army, GD is prime contractor on the M-1 tank, a proposed $19.5 billion program. The company makes a land-based Cruise missile for the Air Force and shares the Tomahawk Navy Cruise missile program with McDonnell Douglas.

And Lockheed, which is dropping its civil airline business to concentrate on military work (it started making airliners again only in the 1960s as a hedge against the cycles in defense spending), appears to have lobbied successfully in Washington for the C-5 Galaxy transport, even though McDonnell Douglas won the initial design contest.

Who's at risk in the ascendancy of the Navy? It now appears to be Martin Marietta and Rockwell. Martin Marietta is the prime contractor for both the MX and Pershing II missiles. If either goes through, MM's fortune in the 1980s will be made, but in both cases that's a big if: The MX development is proceeding, but its longterm future is clouded and controversial. Early tests of the Pershing II also turned up problems that may be expensive to fix. Almost alone among defense contractors, Marietta's aerospace business contributes a smaller proportion to its total profits than to total sales.

"The Trident program shows a thoughtful use of new technology," says Lockheed's Thurman, keeping costs in check. Rather than rushing in, "You might say that the program has lagged, but it avoided the growing pains of many new programs."

And Rockwell? It is scheduled to build the revived B-1B bomber, a slower version of the B1 that Jimmy Carter canceled in 1977. In a future where the Trident is the main U.S. deterrent, the B-1B could be assigned to protect the sea lanes, carrying 22 Cruise missiles as standoff weapons against marauding ships or submarines. (The Russians plan to use their Backfire bomber in the same way, says Perry.) But at best, the B-1B is seen as an interim step between the aging Boeing B-52 and the radar-transparent Stealth bomber of the 1990s. Thus its useful life depends on the pace of Stealth technology.

What about smaller military suppliers—companies like Raytheon (missiles and electronics), Sundstrand (jet engine parts) and Wyman-Gordon Co. (heavy structural forgings)? Overall, the Reagan military buildup means good business for them, no matter who is ahead in the interservice rivalry, especially since they deal with the big contractors at a step removed from the military itself. The semiconductor industry also stands to gain. Microelectronic chips are now being added to almost everything but the infantryman's carbine. And companies like Texas Instruments, Intel and IBM are beneficiaries of the Defense Department's research program to put a high-speed microcomputer onto a single chip. Known as the Very High Speed Integrated Circuit progtam (VHSIC), it will account for at least $600 million in development work and pay off important benefits in the chipmakers' commercial business. ■

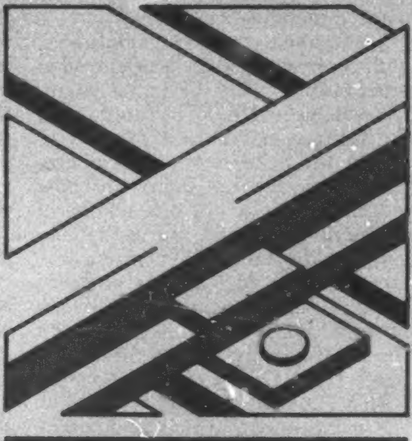
Aerospace and defense

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Morton Thiokol	11	19.3%	33.4%	0.2	13	14.8%	27.1%	16.9%	20	8.9%	4	27.5%
Bendix	12	19.1	9.0	0.3	12	14.9	7.9	3.2	22	7.9	10	17.1
Gates Learjet	13	18.6	10.1	0.2	7	16.0	10.3	2.0	2	22.2	15	10.9
Martin Marietta	14	17.7	11.5	0.2	15	12.9	6.7	3.9	7	16.8	11	16.1
Northrop	14	17.7	2.0	0.0	9	15.5	2.0	0.4	18	11.7	13	12.7
Rockwell Intl	14	17.7	17.4	0.1	14	13.6	14.5	4.5	23	7.1	12	13.8
Bangor Punta	17	17.1	1.1	0.6	21	9.8	2.7	0.5	8	16.3	1	82.3
United Technologies	18	16.7	18.3	0.3	16	12.7	10.0	3.0	3	22.1	16	10.4
Pneumo	19	16.7	21.2	1.0	19	11.1	12.7	2.0	11	15.5	14	11.4
E-Systems	20	16.4	19.4	0.2	8	16.7	18.1	4.5	14	14.0	17	9.7
Cessna Aircraft	21	14.4	5.2	0.1	18	12.3	4.9	2.2	15	13.9	21	6.4
General Dynamics	22	12.8	9.2	0.0	23	9.7	7.0	1.8	12	15.1	20	7.8
Textron	23	12.7	8.2	0.2	20	10.7	7.4	3.3	24	6.7	22	3.9
Sperry	24	12.6	6.7	0.3	21	9.8	5.9	3.0	19	9.9	19	7.9
McDonnell Douglas	25	12.5	11.2	0.1	17	12.4	11.0	2.5	16	13.1	18	9.0
Grumman	26	8.4	9.3	0.8	26	8.0	7.3	1.6	25	5.7	24	–8.6
Genl Tire & Rubber	27	8.1	3.3	0.2	27	6.7	3.4	1.6	26	4.1	23	–2.5
Singer	28	0.5	def	0.8	28	3.2	0.3	def	28	2.8	26	D–D
Industry medians		17.7	11.4	0.3		13.3	10.2	3.2		14.0		12.1
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
D–D: deficit to deficit. def: deficit.

Are railroads immune from the tortuous adjustments to deregulation that airlines and trucking are going through? No, says former Norfolk & Western Chairman John Fishwick.



Railroads

By Jeff Blyskal

EVERY INDUSTRY deregulated so far has gone through a traumatic and sometimes chaotic adjustment. Now that railroads are free to set their own rates, drop unprofitable routes and work out big mergers, will they escape some of the jolts airlines and trucking have taken?

Wall Street must think so. Rails are riding high. While the Dow industrials were up 22% in the post-August bull market, rail issues rose 41%—even though 1982 earnings were off considerably. One reason was the recession, of course. But another reason was disguised by the recession: intense price-cutting among the railroads and between them and their longtime competitors, long-haul truckers. "Rails have been cutting into their bone and marrow on prices," says Phil Yeager, president of Hub City, Inc., the nation's largest shipping agent.

What's down the tracks for the deregulated rails? To find out, FORBES sat down with John Fishwick, former chairman of the Norfolk & Western and a respected railroad man for more than three and a half decades. Fishwick retired in 1981 after working out the basic details of the N&W-Southern Railway merger that formed the 21,000-mile, $3.6 billion (revenues) Norfolk Southern last June.

Today, at 66, he is a partner with the Washington law firm of Windels, Marx, Davies and Ives—"I wanted to prove I could do something other than run a railroad," he says. FORBES met with him recently at his Pennsylvania Avenue office just across from the Executive Office Building.

There is a lot of talk these days about a renaissance of the rails. Is there a smooth track ahead for the railroads now that Washington is off their back?

Fishwick: There's no reason to think the railroads won't suffer the same pain of deregulation that the airline and trucking industries are suffering now. And over the next couple of years, you'll see a swing in the fortunes of those railroads adversely affected. Frankly, it amazes me that Wall Street hasn't been more concerned. Every other industry that has gone through deregulation has had an adjustment period harmful to some of its members. Why not the railroads?

What adjustment problems do you see? The current rate wars, for example?

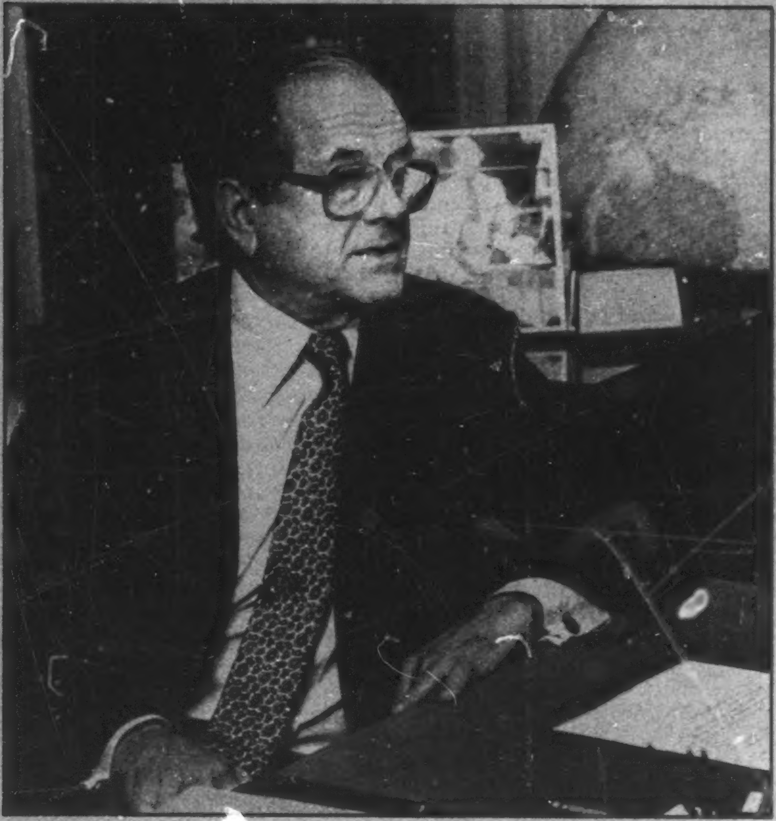
Fishwick: It's unfortunate deregulation

Railroads

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Chic & North Western	1	22.5%	def	1.1	6	7.2%	1.7%	def	6	11.1%	5	12.4%
Missouri Pacific	2	22.3	16.5%	0.8	1	11.2	9.2	7.0%	5	13.2	4	13.7
Norfolk Southern	3	15.9†	14.8	0.3	2	9.7†	9.3	13.5	8	10.5‡	2	19.8‡
Union Pacific	4	14.3	12.0	0.4	3	9.2	7.2	6.3	1	21.4	3	16.8
Santa Fe Industries	5	11.0	8.6	0.3	4	7.6	5.9	6.6	4	13.9	6	11.2
IC Industries	6	9.9	5.4	0.6	8	6.3	4.5	1.9	2	19.6	8	8.4
Burlington Northern	7	9.7	10.4	0.5	7	7.0	7.7	6.5	3	17.5	1	20.0
CSX	8	9.6	9.5	0.5	5	7.3††	6.6	5.7	7	10.6	7	9.3
Southern Pacific	9	7.2	5.5	0.5	9	5.3	4.7	4.0	9	9.8	9	7.4
Industry medians		11.0	9.5	0.5		7.3	6.6	6.3		13.2		12.4
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. ††Three year average. ‡Four-year growth. def: deficit.



Retired N&W Chairman [illegible]n Fishwick

Despite Wall Street op[illegible]m, challenging times for big railroads.

"The Eighties will be interesting. If the railroads are managed properly and efficiently, and if they develop good cost controls, their future will be very bright. It could be a new era. But success won't be automatic. Short term, there will be some serious mistakes."

had to come during hard times. You get more cutthroat competition then. Yes, as with the current rate wars. That never happened before. The railroads—especially Conrail—have to realize they are a system whose parts should work together. For example, a shipper shipping between St. Louis and New York City can use the Norfolk Southern to Buffalo, then switch to Conrail, or ship Conrail all the way from St. Louis through Buffalo to New York. Since only Conrail goes from Buffalo to New York, it can charge whatever the traffic will bear. That in turn gives Conrail the leverage to be more competitive on the St. Louis-Buffalo part of the run, undercutting the NS. Conrail has said, "We're not going to get together with anybody on rates." Luckily, the bigger railroads can play tit for tat. But a smaller railroad may not have a tat.

What can small railroads do?
Fishwick: If I were the chairman of a smaller railroad, I would try to get it into the best shape possible and then be open to merger talks. If you don't get in early, you might not be able to maintain the economies, and in ten years you probably wouldn't be worth very much.

Last time we spoke, you mentioned a coming second wave of mergers. Could you explain?
Fishwick: Before long you'll see efforts to establish a transcontinental railroad system. The benefits of having four, five or six very large systems will be enormous. In a single transcontinental system you wouldn't need the interchanges that you now do across the country. That would cut costs, speed up trains, and allow for longer trains; and you wouldn't have to maintain as many repair points.

Do you wish you could be starting your career again today? Is this the best of times to be running a railroad?
Fishwick: This is probably the most exciting time to be running a railroad. The Eighties will be an interesting decade. If the railroads are managed properly and efficiently, and if they develop good cost controls, their future will be very bright. It could be a new era. But success will certainly not be automatic. In the short term there will be some serious mistakes.

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What kinds of mistakes?
Fishwick: One scenario is already being played out. The railroads made a big error by buying too many boxcars. Everyone said the boxcar was obsolete, but the railroads didn't believe it. Now that's pretty much accepted, and there is an enormous investment in boxcars sitting all over the country, many of which will never be used.

Is intermodal, or piggyback, service the answer to the inefficiencies of the boxcar?
Fishwick: The industry is very efficient in moving bulk commodities between distant points. And that's what piggyback has done—changed boxcar freight from a nonbulk into a bulk commodity. But it's still not efficient with the equipment the railroads have. They've had to provide the service to keep from losing business to truckers, but it's a relatively high-cost operation to put a train in dedicated service, and I doubt most piggyback is currently profitable. They have to develop new technology to make it more profitable.

More railroads are diversifying into related, nontransportation areas—something you support. Does that mean you believe a railroad can't make it on its own?
Fishwick: No. The advantage of a company that is in coal, oil, telecommunications and whatever, and also in railroads, is that the railroad will be in competition for capital that goes where it can get the highest return. That will keep the railroad people on their toes to come up with the maximum investment performance.

You seem to be saying that deregulation and the concurrent adjustments railroads are making, and will have to make, are good, but that there are no guarantees. Would you say the key in all this will be smart management?
Fishwick: If railroads make investments that are based on their advantages and don't consider themselves to be a monopoly, I think that they can be very profitable. There is more opportunity for success, but also more risk. The next few years are going to be unusually challenging for the management of these [big] railroads because they're going to have to be the first to go into this new economic environment. It's like leaving a warm house and going out into the cold. ■

BURLINGTON
NORTHERN

Loading a Burlington Northern boxcar
Boxcars are obsolete; piggyback, expensive.

Will consumers buy the economy out of a recession? Ultimately, maybe, but don't look for a wild spending spree just yet. Declining employment and soaring medical costs are still squeezing the middle class.

Household goods

By Peter Kadzis

LAST YEAR'S long-awaited pickup in consumer spending proved to be as elusive as the economic recovery it was supposed to herald. Will this year be any different? To find out, FORBES asked economist Jay Levine, who spent 21 years at Sears, Roebuck, ending his career there as chief corporate economist. He is now a private consultant to household goods suppliers and retailers. Between 1975 and 1976 he served as an occasional adviser to Treasury Secretary William Simon.

Economists tell us that consumers are gaining more real buying power as costs for unavoidable expenses such as food and energy ease. If this is the case, why are consumers taking so long to lead us out of the recession? Could it be that there is a limit to how much consumers can actually consume?

Levine: There are a number of factors squeezing consumer spending, but that's not one of them. The real culprits are declining employment, higher savings rates and growing medical care expenditures. Together these have more than offset lower food, housing and energy costs. Spending for medical care is particularly troublesome. Last year it increased 13.2%, or about $24 billion, mostly as a result of higher prices for hospitals and doctors. By the way, I'm talking about out-of-pocket expenses that are not covered by insurance.

How much of an actual threat do you think this increase in uninsured medical costs pose to the economy?

Levine: It's much more serious than most people think. Over $200 billion per year is now being allocated to medical care services. That's 9.1% of total income, vs. just 6.3% a decade ago. This 2.8% increase means that some $60 billion more of today's income has been diverted from the purchase of general household merchandise and other discretionary items, such as travel and education. Think of it: a $60 billion drain on consumer spending. No wonder the economy is so sluggish. Sixty billion dollars would buy a lot of washing machines and sofas.

Is uncertainty about the future of Social Security putting a crimp in consumer spending?

Household goods

Yardsticks of management performance

Company	Profitability Return on equity 5-year rank	5-year average	latest 12 months	debt/equity ratio	Return on total capital 5-year rank	5-year average	latest 12 months	net profit margin	Growth Sales 5-year rank	5-year average	Earnings per share 5-year rank	5-year average
Appliances												
Maytag	1	23.3%	18.3%	0.0	1	22.2%	17.2%	8.6%	5	7.9%	6	5.2%
General Electric	2	20.4	19.2	0.1	2	18.2	17.7	6.6	4	11.1	2	12.3
Whirlpool	3	16.7	14.9	0.1	3	15.1	14.0	5.3	7	6.4	5	9.2
Allegheny Intl	4	13.7	6.1	0.8	7	8.4	6.2	2.3	2	13.9	4	10.0
White Consolidated	5	13.5	5.2	0.5	5	9.1	5.1	1.5	3	11.5	7	1.6
Scovill	6	11.2	9.6	0.7	4	9.2	8.5	2.[illegible]	8	6.3	1	18.3
Magic Chef	7	9.7	4.9	0.6	6	8.7	5.5	1.4	1	18.3	3	11.[illegible]
Hoover	8	6.8	def	0.1	9	3.7	def	def	8	5.8	8	-2.4
Zenith Radio	9	5.9	def	0.5	8	5.7	0.9	def	9	4.0	9	-8.5
Singer	10	0.5	def	0.8	10	3.2	0.3	def	10	2.8	10	D-D
Medians		12.4	5.7	0.5		8.9	5.9	1.9		7.4		7.2

Note: Explanation of Yardsticks calculations on page 50.
D-D: deficit to deficit. def: deficit.

Levine: Of course. Until Congress does resolve the issue of the retirement program's solvency, many older workers will continue to spend frugally.

How long will it take for the decline in housing costs to be reflected in increased sales of household goods?
Levine: Unfortunately, the drop in mortgage rates really hasn't benefited most homeowners yet. Those burdened with previously contracted high rates are obviously still pinched. A sustained decline of mortgage rates will eventually help these households when they adjust or renegotiate variable or fixed rates. In the meantime, lower current mortgage rates are sparking some increased home sales. This should generate more construction jobs next spring, as well as increased demand for home furnishings and appliances. Any increase in home turnovers will also increase realized capital gains on the sales of homes. These capital gains, of course, are a result of inflation.

What makes you so sure the economy will pick up later this year? After all, didn't employment rates drop in September and October, suggesting that the economy is actually getting worse?
Levine: Perversely enough, a decline in employment historically signals the final stages of a recession. This kind of dip in employment actually precedes an upturn. And for a simple reason. Businesses that hadn't done so earlier are now lowering break-even points with a vengeance by continuing to lay off greater numbers of employees. They are also closing less efficient plants and are postponing new capital projects.

If you accept the premise that the economy has been in more or less of a recession since 1978, then weren't these measures postponed for too long?
Levine: I don't know if you have to accept that premise, but the belt-tightening was put off for too long. It only seriously got underway when consumer spending failed to pick up after the July tax cut. You could call it the disappointing nonrecovery. Anyway, this shakedown has good and bad aspects. It is good in the sense that the elimination of excess labor overhead will ultimately give an extra boost to productivity and profitability when economic activity returns. But it's bad because still-declining employment and still-declining wage and salary income mean that a solid upturn in consumer spending is still at least a few months off, and some real hard-pressed businesses may not be able to last that long.

It sounds like you're trying to hedge your analysis.
Levine: No. There are benefits and there are costs, and you must recognize the importance of each of them. It is important to know that wage and salary income now constitutes about 60% of total personal income and is much more vital to purchases of consumer goods, except food, than any other source—certainly more important than interest or dividends, which are merely saved, or transfer payments, which are spent on services—medical, housing and food. It's wages and salaries that buy household goods. So when you consider that wages are not rising and when you realize that industrial layoffs make people nervous, you begin to understand why consumer spending just hasn't lifted off yet. When spending does pick up, business won't rehire all those who were laid off, so income won't rise as sharply as in previous recoveries. That's why we will see only a modest recovery. But at this stage in the game, even that would be a welcome relief. ■

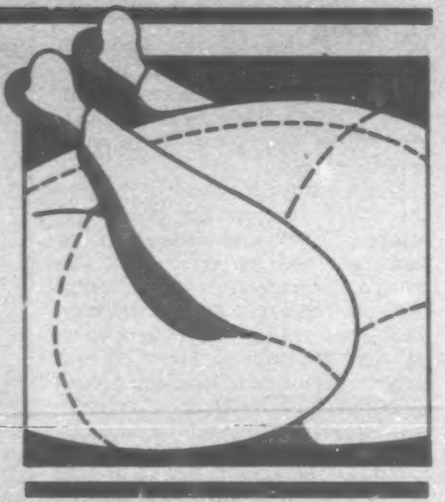
Household goods

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Housewares, furnishings												
Stanley Works	1	15.1%	9.9%	0.2	1	12.6%	8.8%	3.9%	3	11.6%	1	12.5%
Insilco	2	14.9	7.5	0.4	3	9.7	6.1	2.6	4	10.7	3	8.0
Black & Decker	3	10.8	def	0.4	2	10.0	def	def	2	13.5	4	2.4
Roper Corp	4	9.7	5.8	0.6	5	7.3	5.0	1.1	5	4.8	2	11.5
Toro	5	5.4	def	0.8	4	8.1	0.4	def	1	16.5	6	−13.0
Mohasco	6	4.3	3.4	0.4	6	4.6	4.8	1.3	6	3.8	5	−6.9
Talley Industries	7	def	def	0.8	7	0.2	def	def	7	0.6	7	P-D
Medians		9.7	3.4	0.4		8.1	4.8	1.1		10.7		2.4
Housekeeping products												
American Home Products	1	33.5%	22.9%	0.0	1	33.5%	22.6%	12.2%	4	10.9%	1	12.4%
Procter & Gamble	2	19.6	20.2	0.2	2	15.3	15.5	5.7	2	12.5	2	12.0
Clorox	3	17.9	18.1	0.4	3	14.8	15.0	5.5	6	8.3	5	7.8
Economics Laboratory	4	17.2	16.2	0.5	4	13.8	11.5	4.9	1	13.9	3	11.4
Colgate-Palmolive	5	14.7	16.0	0.3	5	12.6	13.1	4.1	5	10.1	6	4.1
Scott Paper	6	11.8	9.0	0.4	6	8.9	7.1	5.1	3	11.1	4	10.9
Medians		17.6	17.2	0.3		14.3	14.1	5.3		11.0		11.2
Industry medians		13.5	7.5	0.4		9.2	6.2	2.3		10.7		6.0
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.6		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit.

Why are Americans eating less beef? Lifestyle has something to do with it; economics, more.



Food processors

By William Harris

VEGETARIANISM IS NOT exactly ravaging the U.S., but something is going on: Americans are eating less and less meat—especially beef. Beef is a $40 billion industry at retail, but per capita beef consumption has dropped from 99.4 pounds in 1976 to 77.2 last year and is expected to shrink even further in 1983.

Why? Lifestyle plays a part—beef is full of fat and cholesterol, which turns off health-conscious consumers. But mostly it's plain economics. Beef is expensive. These days chickens, for example, can be slaughtered and processed almost entirely by machine, but beef is still highly labor-intensive, and increased efficiencies are hard to come by. In the 1960s, a pound of chicken cost 75% as much as pork and 50% as much as beef. Today, a pound of chicken costs 50% as much as pork and only 33% as much as beef. In fact, over the past decade beef prices have risen faster than the Consumer Price Index, despite reduced feed costs.

Result: Only the most efficient make any money in this business, where net margins are about 1% aftertax. Take Iowa Beef, the largest packer and now a subsidiary of Occidental Petroleum, which has largely transformed the industry. It relocated all its plants close to the source of raw material, introduced assembly-line concepts to the packing business, chopping a steer into ready-to-buy cuts that are then packed in boxes and shipped.

Most other packing plants have followed behind Iowa Beef's cost-cutting example. Still, consumption is dropping. What's the answer? New marketing, for one thing. "Until recently, we had never felt the need to actually change our product," says John Copeland, president of $2.5 billion (sales) Swift Independent. Now the industry is giving a lot of thought to it. One possibility: leaner beef, following the example of the pork growers. In the last 25 years, hogs became 50% leaner as producers responded to changing consumer tastes. If beef people didn't stuff cattle on the feedlot so long, their production costs—now about $65 per head—would drop and the meat would also be less fatty. "The idea of 'light beef' may sound sort of funny," says Manly Molpus, presi-

Food processors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Meatpackers												
Idle Wild Foods	1	19.6%	17.5%	0.1	1	15.7%	15.0%	1.6%	4	10.5%	2	16.0%
Tyson Foods	2	17.9	20.1	1.4	3	11.8	11.5	1.7	1	17.5	1	16.9
George A Hormel	3	14.7	11.6	0.3	2	12.7	8.8	1.8	6	6.7	3	12.9
[illegible]	4	13.6	11.7	0.3	4	10.0	9.3	2.4	7	4.9	4	7.0
Frederick & Herrud	5	8.7	0.9	1.1	5	7.1	3.4	0.1	3	13.9	5	–4.2
Monfort of Colorado	6	7.6	40.5	0.6	6	5.8	29.1	1.6	2	16.9	6	–15.7
Wilson Foods	7	def	20.0	1.0	7	0.9	10.8	0.6	8	3.0‡	7	D-D‡
Rath Packing	8	def	def	NE	8	def	def	def	9	0.8	7	D-D
Swift Independent		**	33.0	1.1		**	19.3	1.1	5	7.8‡		**
Medians		11.2	17.5	0.6		8.6	10.8	1.6		7.8		1.4

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. D-D: deficit to deficit. def: deficit. **Not available; not ranked. NE: negative equity.

dent of the American Meat Institute, the industry trade association, "but it's the kind of marketing tool we're going to have to apply."

The industry also would like to have the USDA beef ratings system revamped. There are now four classifications, all based on fat content and created 56 years ago: prime, choice (90% of all beef graded), good and standard. Those ratings should be amended, says Molpus, precisely because they are based on fat, to which Americans show an aversion these days.

What about exports? "The potential is enormous," says Kenneth Monfort, president of $996 million (sales) Monfort of Colorado. "We have to find places affluent enough to eat meat, but don't have their own production."

Sounds simple enough. In Europe and Japan beef is somewhat a luxury item, but demand is growing. Unfortunately, these places have stringent trade restrictions created to protect their own industries.

If Europeans won't eat our beef, however, they remain the largest buyers of U.S. cattle by-products—the offal items most Americans won't touch, like liver, sweetbreads, brains, kidneys, tongues, even testicles. Not much to an industry looking for new markets, but it helps. ■

Looking for bargains
Despite packer efficiencies, beef is still expensive.

Food processors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Agricultural commodities												
Pioneer Hi-Bred Intl	1	24.6%	25.0%	0.0	1	21.5%	23.7%	12.9%	1	17.5%	4	16.8%
ConAgra	2	24.0	22.6	0.6	2	16.4	16.2	1.9	4	14.3	1	32.2
Savannah Foods	3	21.7	35.3	0.3	3	14.2	24.4	5.1	9	4.9	3	19.7
Seaboard	4	18.2	26.1	0.1	4	12.9	17.6	6.6	10	4.3	2	26.3
A E Staley Mfg	5	16.2	12.6	0.2	6	11.3	8.8	3.9	2	15.8	8	9.3
Archer Daniels Midland	6	16.1	12.2	0.5	5	12.7	9.8	3.6	6	12.4	5	15.9
Key	7	13.7	def	1.8	9	9.3	0.6	def	3	15.3	6	14.9
DEKALB AgResearch	8	12.3	5.1	0.4	8	9.5	4.9	3.1	5	13.1	9	3.9
Anderson, Clayton	9	11.0	8.6	0.1	7	10.5	8.2	2.9	8	5.7	7	9.6
Central Soya	10	10.4	6.4	0.4	10	8.4	6.0	1.1	7	6.3	10	2.2
Medians		16.2	12.4	0.4		12.0	9.3	3.4		12.8		15.4
Industry medians		14.2	12.6	0.4		10.9	9.3	1.8		10.5		11.3
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.

Manufacturers are searching for ways to expand a slow-growth market; consumers are searching for "affordable luxuries." The result? Gourmet cheeses and even gourmet yogurt at the local market.

Branded foods

By Paul B. Brown

We declare pleasure to be the beginning and end of the blessed life," said the Greek philosopher Epicurus (342-270 B.C.). He was not talking solely about food, yet to a growing number of branded foods manufacturers these days, achieving the blessed life means selling to the epicures.

Gourmet foods—uncommon, high-cost, high-quality items—now account for about 1% of the $200 billion Americans spend in supermarkets annually. A $2.5 billion market is not much—but it's the potential of these upscale foods that interests some companies. While overall unit growth in food is about 1% and will probably remain that way, gourmet food sales should grow some 3% a year through the 1980s, according to Frost & Sullivan Inc., the market researchers. "The gourmet ethic is on the rise," says F&S. Moreover, the distribution system—always the bane of a specialty product—is not as big a problem as might be expected because, surprisingly, most gourmet food is handled by supermarkets, which outsell specialty food shops 3-to-1.

Kellogg's Whitney's yogurt
"American and classy."

When R.J. Reynolds bought Heublein last year, it also acquired Heublein's Grey Poupon Dijon mustard. Campbell Soup now owns Godiva Chocolate and Pepperidge Farms, where sales are up 39% since 1980. Why? Says Thomas Fey, who oversees the two product lines for Campbell, "As discretionary income is squeezed, people decide to buy less, but they make sure what they buy is very good. There also is a group of people who like good, wholesome-tasting food and are willing to pay what it costs to make it."

Many big companies, though, have been staying away from quality foods. General Foods' line of "international

Branded foods

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Diversified												
ConAgra	1	24.0%	22.6%	0.6	2	16.4%	16.2%	1.9%	9	14.3%	1	32.2%
Dean Foods	2	22.8	22.4	0.5	1	16.7	16.7	2.4	5	16.1	2	23.4
Esmark	3	22.6	14.0	0.6	7	13.5	10.1	2.7	25	−1.8	5	17.9
CPC International	4	19.4	18.5	0.2	3	15.6	14.1	5.5	18	8.9	10	12.7
General Mills	5	18.7	18.3	0.3	4	14.5	14.5	4.1	10	13.3	7	13.9
Nabisco Brands	6	18.6	19.4	0.4	9	13.2	13.8	5.0	19	8.6	9	13.0
Curtice-Burns	7	18.4	18.8	2.8	19	9.2	9.7	1.5	1	21.7	11	11.5
H J Heinz	8	18.1	19.5	0.2	8	14.0	15.7	5.2	11	13.0	3	18.6
Pillsbury	9	17.3	16.1	0.7	15	11.5	11.0	4.8	4	18.3	6	14.3
General Foods	10	17.2	17.8	0.4	6	14.0	12.6	3.4	16	10.6	12	11.4

Note: Explanation of Yardsticks calculations on page 50.

coffees" arguably could fit right in, but GF goes out of its way to stress its noninvolvement. "We advertise these coffees on prime time," says a spokesman. "How can it be gourmet?"

This leaves the field largely to companies with less than $1 billion in sales and looking to grow, and those whose product lines are already a collection of specialties, like Campbell, Kellogg and General Mills *(see box)*, and are also trying to diversify.

Universal Foods of Milwaukee is one of the best positioned. The company's sales—25% in such products as gourmet pretzels, specialty chocolates and high-quality olive oil—have increased 36% in the last two years to $434 million. "There's a new willingness to experiment with ethnic foods," says Guy Osborn, Universal's executive vice president. "The major reason seems to be the economy. The supermarket operator is looking to gain a greater chunk of the consumer dollar, so he has expanded his gourmet section since it has higher margins. Also, a lot of people are not going out to eat as much, so they treat themselves to better foods at home."

Once epicurean marketing is mastered, there are still twists to put on an old product. For example, one of the fastest-growing food lines now is

If she loved the doll, will she love the cereal?

If you want a snapshot of the branded-food business, take a look at the $3 billion cold-cereal market. There are 56 major brands, and a market share of 0.75% is enough to get Kellogg, General Mills, General Foods, Quaker Oats, Ralston Purina or Nabisco—the six major companies—to pop open the champagne.

About nine out of ten new cereals don't last beyond the first few years, but General Mills, which trails only Kellogg in the field, thinks it has come up with a cereal that will beat those odds: Strawberry Shortcake. No, it will not taste like the gooey dessert. It's a strawberry-flavored corn puff named after American Greetings' spectacularly successful character doll that did an estimated $1 billion in retail sales last year.

In case there are no girls aged two to ten in your life—Strawberry Shortcake's prime market—the doll is about 5½ inches high, strawberry-scented and somewhat reminiscent of Raggedy Ann. But why a cereal?

"Within the company we were familiar with the character—it has taken the world by storm," says Martha Robertson, who is General Mills' product manager for children's cereals. "So we thought, why not a cereal?" The product, which has just gone national, may in fact have a couple of things going for it. First, there is now only one other strawberry cereal on the market—FrankenBerry (which pictures a Frankensteinesque monster on the box and has marshmallow bits and strawberry puffs within), also from General Mills. Second, General Mills knows all about flavored corn puffs: It makes Cocoa Puffs (chocolate) and Trix (lemon, orange) with much the same process. But most important is the character itself.

Robertson is predicting Strawberry Shortcake will probably be an average child-cereal and capture between 0.5% and 0.75% of the market. That works out to between $15 million and $22.5 million a year, and that's enough to make you try.—P.B.B.

Branded foods

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Consolidated Foods	11	16.7%	18.2%	0.3	13	12.5%	12.7%	2.6%	6	15.3%	8	13.6%
Universal Foods	12	16.7	19.6	0.5	10	13.0	14.0	3.7	2	20.3	16	8.8
Beatrice Foods	13	16.0	13.2	0.3	11	12.6	10.5	3.4	12	12.2	15	8.9
Campbell Soup	14	15.0	14.9	0.2	8	13.2	12.2	5.1	15	10.5	18	8.0
Intl Multifoods	15	14.6	16.4	0.4	16	10.9	12.1	3.2	23	5.5	14	9.1
Dart & Kraft	16	14.2	9.0	0.2	14	11.8	7.6	2.4	17	9.4‡	20	6.5‡
Federal Co	17	14.1	11.9	0.2	12	12.5	10.9	1.9	7	15.0	21	5.4
Ralston Purina	18	13.6	5.1	0.3	17	10.0	4.8	1.4	20	8.3	22	5.0
Norton Simon	19	12.9	9.6	0.4	20	8.8	6.5	2.5	13	11.4	19	6.8
Borden	20	12.8	12.8	0.8	18	9.6	9.8	4.1	22	8.7	13	9.3
IC Industries	21	9.9	5.4	0.6	22	6.3	4.5	1.9	3	19.6	17	8.4
Di Giorgio	22	9.3	6.4	0.9	21	7.0	5.4	0.8	21	7.8	4	8.3
Castle & Cooke	23	4.8	def	0.4	23	5.1	def	def	8	14.7	24	3.3
Kane-Miller	24	4.4	5.3	0.7	24	4.7	5.2	0.6	24	-0.7	23	-9.7
United Brands	25	3.8	def	0.4	25	3.8	1.1	0.0	16	10.4		D-P
Medians		16.0	14.9	0.4		12.5	10.9	2.6		11.4		9.4

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. D-P: deficit to profit; not ranked. def: deficit.

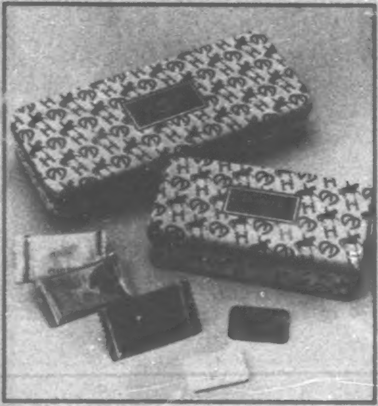
yogurt. So why not a gourmet yogurt? Kellogg has developed one and is now testing it.

Kellogg three years ago bought Le Shake, a drinkable yogurt, but decided to do more with it, says David H. Brenner, vice president and general manager of the new product called Whitney's yogurt. "Yogurt is now nearly a $600 million market at retail, and unit growth is surging ahead at 10% to 12% a year," he says. "But it's still tremendously underdeveloped. The average American eats about 3 pounds of yogurt a year. In France that total is 20 pounds."

Kellogg called its gourmet yogurt Whitney's because it sounded both "American and classy." So far, says Brenner, the test results are "terrific." So is the price: 65 cents for a 6-ounce cup, compared with 55 cents for 8 ounces of Dannon, the yogurt leader.

Yogurt is only the beginning. Local supermarkets may now include a huge cheese section featuring types like Brie and Havarti, where there were only Swiss and Cheddar. But don't forget the story about the trader who first brought bananas to Maine and sold the "exotic fruit" for $25 a pound. Today, the price is about 1% of that. Will the banana curve apply to gourmet foods, too? The companies eager to tap this intriguing market should probably reflect on that. ■

Gourmet pretzels
Status on the supermarket shelf.



"Equestrian" chocolates
Individually wrapped, Japan-made.

Gourmet olive oil
Bottled in a handblown decanter.

Branded foods

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Specialized												
Kellogg	1	27.4%	27.3%	0.1	1	22.9%	23.2%	9.3%	6	11.7%	7	12.1%
Flowers Industries	2	19.2	19.6	0.5	7	12.5	13.0	3.5	3	17.2	5	13.9
Hershey Foods	3	19.1	19.8	0.3	2	14.8	14.1	6.0	2	17.7	4	14.3
Carnation	4	17.8	18.1	0.2	3	14.7	15.3	5.5	11	9.1	8	11.9
Quaker Oats	5	16.5	12.7	0.2	8	11.9	9.3	3.1	8	11.3	3	14.4
McCormick	6	16.0	16.8	0.5	6	12.7	13.9	4.0	4	16.1	6	12.5
Gerber Products	7	15.5	14.0	0.1	5	14.0	12.8	5.2	7	11.4	9	10.1
Wm Wrigley Jr	8	15.3	14.8	0.0	4	14.7	14.3	8.2	9	10.9	11	5.4
Knudsen	9	14.8	10.9	1.0	10	9.3	7.6	1.1	5	15.3	2	20.9
Berkshire Hathaway	10	11.2	5.9	0.2	9	10.1	5.5	6.8	1	19.1	1	27.7
Amstar	11	10.9	4.3	0.1	11	8.2	3.9	1.3	15	3.6	13	–1.7
Amer Maize-Products	12	9.8	8.4	0.6	13	7.7	6.7	2.6	10	10.7	12	1.4
Stokely-Van Camp	13	8.9	11.3	0.3	14	6.9	8.4	2.7	13	5.3	10	6.8
Interstate Bakeries	14	4.6	0.9	1.6	12	8.0	19.9	0.1	12	7.7‡‡	14	P–D
American Bakeries	15	def	def	0.5	15	2.8	def	def	14	4.6	14	P–D
Medians		15.3	12.7	0.3		11.9	12.8	3.5		11.3		11.9
Industry medians		15.4	14.0	0.4		12.2	11.0	2.9		11.4		11.4
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡‡Three-year growth. P-D: profit to deficit. def: deficit.

If you drink a caffeine-free coffee, you will also drink a caffeine-free cola. Or will you?

Beverages

By Paul B. Brown

"IN THE THREE-YEAR PERIOD that ends next year, we will see more new [soft drink] product introduction than in the last ten years combined," says Martin Romm, a beverage analyst at First Boston. He's right. By this time next year, PepsiCo, Philip Morris' Seven-Up, Dr Pepper, General Cinema's Sunkist and Royal Crown Cola will have spent tens of millions of dollars on their new caffeine-free sodas.

What is going on is not hard to explain. Although the average American now drinks 39.4 gallons of soda pop a year—more than any other liquid except water—the market is growing at less than 3% a year. As a result, the major companies are trying to create new categories in the fastest-growing segments, like diet drinks, which are growing at 9%. Adding a line of caffeine-free sodas—especially colas—seemed the logical choice. It may be logical, but it also may be

Zap! Smok! Crunch!

Facing a relatively flat market and increasing competition for shelf space from a proliferation of new soft drinks, beverage companies and bottlers can increase earnings in two ways. The first, of course, is to push diet soft drinks, replacing the sugar with less costly artificial sweeteners in order to increase margins.

The second area is where the competition could come this year: vending machines, which account for about 15% of the $18 billion worth of soft drinks sold each year. There's plenty of margin potential here, too. For example, while you can buy a two-liter bottle of pop for about $1.49 at the supermarket, Coca-Cola is testing a vending machine that will sell you the same bottle for $2.

Not only are the prices changing, the machines are also being transformed. Coke now offers its bottlers nine different options, including two incorporating video games. "The standard machine was like a clerk. It was static at the point of sale," says Brian G. Dyson, president of Coca-Cola U.S.A. "We are trying to make that old machine more dramatic, more vibrant. Instead of being the clerk it is now, it should be a salesman that reaches out and grabs the person's attention."

Joseph Block, vice president for consumer marketing programs at PepsiCo, doesn't necessarily agree. "The video games are a gimmick that adds to the machine's cost," Block says. "And since all the major vending machines will have them, the option is going to be available to everyone. What you have to have is the vending machines in the right place. That doesn't change."—P.B.B.

After making drink selection, start game by pressing buttons to shift man left or right to catch falling cans. Score displayed below.
Game time limited to seconds. Not to be used as a gambling device. For amusement only. No prizes awarded.
Coke
CATCH-A-COKE

Redesigned vending machine
Will high tech mean high sales?

wrong. The soft drink companies may have found a solution for which there is no known problem.

The idea for caffeine-free soda pop started with Royal Crown. The promotional value was quickly perceived by Seven-Up, which first simply advertised that its famous lemon-lime drink had no caffeine, and then brought out Like cola, in sugar-free and sugared versions. Pepsi quickly followed, as well as Dr Pepper, and General Cinema has announced it will reformulate its Sunkist orange soda to become caffeine-free.

Joseph Block, Pepsi's vice president of consumer marketing programs, lays out the strategy: "Look at decaffeinated coffees. They now represent 16% of the market and are the only part showing any growth. We did tests, which showed that 88% of all cola consumers know cola has caffeine, and 68% of them said they would be interested in a caffeine-free cola if there were no tradeoff in taste. Colas represent about 62% of the soft drink market, and we think that caffeine-free colas will capture between 5% and 15% of that."

Maybe, says Emanuel C. Goldman, research director of the consumer group at Sanford C. Bernstein. "But I'm not sure people are that concerned about caffeine. If you are concerned about caffeine, you are likely to be concerned about sugar, too. So the diet caffeine-free market is likely to be viable, but only because it is within the diet market."

Coca-Cola's new diet entry

Betting caffeine doesn't matter.

Coca-Cola has doubts, too. So far, the leading soft drink company has not introduced a caffeine-free cola product (although Coke's noncola Fresca, Sprite and Ramblin' root beer have no caffeine). "We believe the major opportunity in the soft drink field right now is the diet drinks," says Brian G. Dyson, president of Coca-Cola U.S.A. "That, of course, isn't to say that caffeine-free might not be a market in the future. But while it is nice to be first, in a nascent market like this I would want to be absolutely certain I'm right. Besides, we think Diet Coke makes all other options pale."

Coca-Cola introduced Diet Coke late last year in New York and other test markets. The product will go national later this year. So far Dyson says it is exceeding expectations and has cannibalized Tab, Coca-Cola's current diet cola, to only a limited degree. "Caffeine-free beverages, I believe, cannibalized mother beverages a hell of a lot more," he says.

So, while the decision on reformulating Tab or introducing a new caffeine-free cola is being debated, Coke finds itself in the position of having two strong diet drinks—Tab is the leader—in the fastest-growing part of the business. Diet drinks are now about 15% of the market and should grow to at least a quarter by the end of the decade. Given that position, it is easy to see why Coke is in no great hurry to create a caffeine-free cola. What's harder to see is why its competitors are. ■

Beverages

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Alcoholic beverages												
G Heileman Brewing	1	31.4%	27.7%	0.3	1	23.1%	19.1%	5.2%	1	28.6%	1	30.6%
Brown-Forman Dist	2	21.6	25.7	0.2	2	16.6	20.8	10.3	3	14.3	2	24.8
Anheuser-Busch Cos	3	19.4	21.9	0.5	3	11.3	11.6	6.3	2	17.2	4	20.1
Seagram	4	14.7	11.1	0.2	4	10.7	7.0	9.9	7	6.0	3	21.8
National Distillers	5	11.7	8.9	0.2	5	9.6	7.5	3.2	6	7.2	5	3.0
Adolph Coors	6	9.0	6.4	0.0	6	8.4	5.8	5.2	4	10.0	6	–0.1
Olympia Brewing	7	2.8	def	0.3	7	3.3	def	def	5	7.6	7	–15.1
Pabst Brewing	8	0.8	0.3	0.1	8	1.0	0.6	0.1	8	4.5	8	–38.6
Medians		13.2	10.0	0.2		10.2	7.3	5.2		8.8		11.6
Soft drinks												
Coca-Cola	1	23.0%	21.3%	0.1	1	21.3%	19.5%	8.3%	3	13.9%	3	11.0%
General Cinema	2	22.6	25.7	0.8	3	14.0	15.4	5.8	2	16.4	1	19.8
PepsiCo	3	22.5	21.8	0.5	2	16.4	15.8	4.9	1	19.3	2	13.4
Royal Crown Cos	4	11.7	14.6	0.5	4	9.0	10.8	3.5	4	10.6	4	–3.4
Medians		22.6	21.6	0.5		15.2	15.6	5.4		15.2		13.2
Industry medians		17.[illegible]	18.0	0.3		11.0	11.2	5.2		12.3		13.2
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.

Uncle Sam wants to contain the country's $175 billion health care bill, which grows 10% even in recessions. For some—particularly the hospital companies—that spells opportunity.

Health care

By Howard Rudnitsky

"THIS IS THE FOURTH recession in our 14-year history, and in every one of them we have had gains in revenues and earnings," says Thomas Frist Jr., president and cofounder of Nashville-based Hospital Corp. of America. It's not a boast, just a statement of the obvious. Steel may be flat on its back, autos and housing chronically ill, but health care just keeps growing. How many businesses in the recession year of 1982 showed revenue gains of better than 15% and earnings growth around 20%?

From nowhere eight years ago, in fact, the investor-owned hospital management companies have grown into a $7 billion industry. At least four of them now have over $1 billion in revenues, led by HCA's $3.5 billion. And there is plenty of room to grow: Investor-owned hospitals still account for only about 6% of the nation's hospital bill. The rest comprises thousands of privately or government-run hospital operators, who often generate little profit.

But what's going to happen now that even the Reagan Administration wants to try to put a cap on health care costs? The tab now comes to $175 billion a year. It has been growing at 10% a year, good times and bad, and in the opinion of some experts *(see box)* is a significant factor in the stagnation of consumer spending. The government pays 50 cents out of every health care dollar. So at both the federal and state levels, lawmakers are trying to develop incentives to hold down costs. The state of California, for example, has thrown out cost-based reimbursement for Medi-Cal

Health care

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Servicemaster Inds	1	37.1%	38.1%	0.0	1	37.9%	37.5%	3.6%	7	23.3%	5	25.9%
Humana	2	29.9	35.6	1.7	9	12.2	14.4	8.4	2	40.5	2	45.6
Shaklee	3	28.3	22.6	0.2	2	20.7	17.9	5.1	6	23.5	8	19.8
Abbott Laboratories	4	23.4	24.0	0.2	4	18.9	19.8	10.9	9	16.6	7	20.9
Beverly Enterprises	5	23.1	15.5	1.6	13	10.9	9.0	3.3	3	35.4		D–P
Whittaker	6	22.1	20.2	0.4	5	18.2	20.3	4.2	13	12.7	1	56.8
Natl Medical Enterps	7	20.8	19.2	1.0	12	11.4	11.8	6.2	1	45.6	3	29.7
Johnson & Johnson	8	20.4	21.1	0.0	3	19.6	20.0	9.2	10	16.2	10	15.4
Hospital Corp of Am	9	19.3	18.4	1.8	14	10.4	8.7	5.6	4	33.3	6	24.9
Amer Medical Intl	10	19.2	21.2	1.0	11	11.6	13.1	6.8	5	26.8	4	28.6
Baxter Travenol Labs	11	17.8	18.1	0.2	7	14.0	14.8	10.8	8	18.2	9	19.7
Bausch & Lomb	12	17.8	16.2	0.2	6	14.9	14.2	7.5	14	10.2	12	14.4
Amer Hospital Supply	13	16.0	19.4	0.2	8	13.8	16.6	6.9	11	15.7	11	15.2
Becton, Dickinson	14	14.4	13.3	0.3	10	12.1	10.6	6.9	12	14.9	13	10.7
Sybron	15	9.7	4.8	0.4	15	7.9	4.7	2.0	15	5.5	14	0.3
Industry medians		20.4	19.4	0.3		13.8	14.4	6.8		18.2		20.4
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
D-P: deficit to profit; not ranked.

patients in favor of negotiated rates.

Now the Reagan Administration wants Medicare hospital costs to be reimbursed on a prospective assessment of the average industry cost, adjusted for inflation, instead of a hospital's current costs. More important, if Congress agrees, the plan would pass half of any cost savings on to the hospital as profit.

Not surprisingly, investor-owned hospitals are for this. Profit, after all, is their business. Moreover, they have been further toughened by the recession, for although they do grow in recessions, they are not totally immune. Says Wendell Cherry, president of Louisville-based Humana Corp., "The recession is having an impact. There's less elective surgery because private insurance is down. We've got 16 million people in this country now who don't have private insurance because of the prolonged unemployment."

The recession has also resulted in a decline in overall admissions in hospitals around the country, he says—although again chains like Humana and HCA have been able to buck the trend with modest fractional increases. That's another reason that those big chains would not fear the Reagan plan very much.

Being well diversified helps. In slack periods a hospital company can push for management contracts at other hospitals. It doesn't take capital and it aids earnings quickly. An example is HCA's 2½-year, $175 million contract to manage a major hospital system for Saudi Arabia. Having a malpractice insurance subsidiary and testing and diagnostic labs also helps at times like these.

So does geographical diversification. If you are a hospital company in only one state or one part of a state, you could have problems. Obviously, operating in and around depressed Detroit is hard. HCA's Frist also points out that some hospital operators in areas you wouldn't expect—Texas and California—are hurting, too. Business is off 8% in some parts of the two states, because of the Mexican peso devaluation and freeze. "A lot of Mexicans used to come over the border to visit a doctor or go to a hospital," he says, often paying cash. Now, not so much.

Most Americans, though, are still covered by health insurance. Says HCA's Frist, "If one spouse is out of work, the other has coverage. Even if both of them are laid off, they can still fall back on Medicaid to pay their bills. So the hospital still gets reimbursed, one way or another."

The stockholder-owned hospital groups have another advantage, as well. With their shares selling for 15 to 20 times earnings recently, they can afford to build and acquire other hospitals. Humana, National Medical Enterprises and HCA together acquired 51 hospitals last year, and also sold some. All of them—the big three of the industry—sold stock in 1982. This access to capital is critical. The industry's capital requirements now run in the neighborhood of $8 billion to $9 billion a year and will climb higher during the rest of the decade just to maintain the existing number of hospitals, says HCA's Frist.

But how would hospital supply companies fare under Reagan's planned changes in Medicare reimbursement? Large companies like Baxter Travenol, American Hospital Supply and Abbott Labs doubt they would be hurt. Says CEO Vernon Loucks of Baxter Travenol, "If you are a low-cost producer and willing to pour money into new technologies, these cost-containment proposals will wind up proving more an opportunity than a threat."

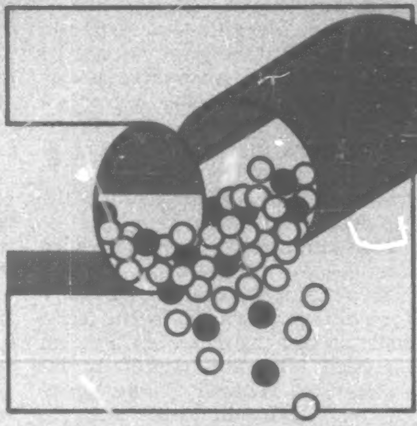
But for smaller, less research-oriented suppliers the going could be rougher. Margins for commodity-like products will be squeezed even more. Already, even in a big market like general IV solutions, a big company such as Cutter Labs has been forced out (Forbes, *Nov. 8, 1982*).

Hospital suppliers are now also facing increased competition from diversifying drug companies. Warner Lambert last year acquired IMED, a smallish supplier of electronic pumps and diagnostic equipment, for $465 million, and Pfizer acquired Valleylab, a maker of microsurgery equipment and infusion systems.

So while the market's growing, so is the competition. That will put supplier margins under more pressure. But hospitals and patients may benefit. ■

Patients at a stockholder-owned hospital
The recession prompts some "elective" surgery to be put off, but other treatment is rising.

The $70 billion world pharmaceutical industry has never been a U.S. hegemony. But unlike autos or TV sets, foreign competition has turned out to be a good deal for everyone.



Drugs

By Thomas Jaffe

TIME WAS, WHEN a drug company licensed another company's product, that meant it had failed to come up with anything as good on its own. No more. Drugs licensed from overseas accounted for more than 10% of the estimated $15 billion in U.S. pharmaceuticals sales last year, and the licensees included some of the best U.S. companies. With drug development costs escalating and the quality of worldwide research improved, licensing has become generally accepted as a smart strategy.

For some companies, it is not a new game. Pfizer has been prominent in licensing since the Fifties because it came late to the drug business and badly needed products to sell while it was catching up. Even now, one of Pfizer's major new U.S. introductions is Procardia, an angina drug licensed from Bayer A.G. of West Germany. Another, the antibiotic Cefobid invented by Japan's Toyama, has just been approved by the U.S. Food & Drug Administration.

Securing approval can cost $70 million and take eight to ten years. That's 7 times what it cost and nearly twice the time it took in the early Seventies. From the licensor's point of view, then, the key is to negotiate the U.S. rights to a drug early enough in its development that the American pharmaceutical house will end up paying for much of the testing to meet FDA standards. For the licensee, that can be a perfectly acceptable expense if the process offers a possible shortcut

Drugs

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
SmithKline Beckman	1	37.5%	28.5%	0.2	2	33.1%	24.8%	15.4%	1	24.7%	1	31.5%
American Home Products	2	33.5	32.9	0.0	1	33.5	32.6	12.2	10	10.9	6	12.4
Merck	3	23.5	20.4	0.1	5	20.2	17.1	13.5	6	12.3	8	10.6
Bristol-Myers	4	22.4	21.9	0.1	4	20.7	20.7	9.5	8	11.5	5	13.4
Eli Lilly	5	21.9	21.1	0.0	3	20.9	19.2	13.5	3	14.9	7	11.3
Upjohn	6	21.2	15.3	0.4	7	15.5	10.9	8.2	5	13.1	2	15.5
G D Searle	7	20.2	25.0	0.3	8	14.9	19.9	14.5	13	7.6	3	14.4
Schering-Plough	8	19.8	13.9	0.2	6	18.7	11.7	10.1	2	15.0	10	8.0
Pfizer	9	17.3	18.1	0.4	10	13.6	14.1	9.3	7	12.0	9	9.6
Sterling Drug	10	15.2	15.5	0.1	9	14.5	13.8	7.2	11	10.4	12	7.3
A H Robins	11	14.6	14.9	0.1	11	12.7	13.4	9.7	9	11.2	11	7.4
Squibb	12	13.3	13.4	0.4	12	10.5	10.5	8.7	14	7.0	13	3.6
Warner-Lambert	13	11.5	13.8	0.4	13	8.7	9.7	5.2	12	8.9	14	–2.8
Richardson-Vicks		**	13.4	0.1		**	13.2	5.9	4	14.2‡	4	13.5‡
Industry medians		20.2	16.8	0.2		15.5	14.0	9.6		11.8		11.0
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. **Not available; not ranked.

to the marketplace.

"Suppose a company wants to start basic research in an area where it hasn't worked before," says Dr. Albert Bowers, chairman of $813 million (sales) Syntex Corp. "It takes 5 years alone to come up with a handful of active compounds. Then 10 more years might pass before any of them will reach the U.S. market. With licensing it's possible to cut this 15-year cycle down to 8 years. That's precisely what Syntex is doing in cardiology. Its own program is only 6 years old, but it has licensed two promising drugs, from Japan and France. And as a bonus, the development it does on those may speed along its in-house efforts."

There is always the chance of a blockbuster, too. For example, Upjohn never had an antiarthritic drug until it licensed Motrin from Boots Plc. of the U.K. Last year its U.S. Motrin sales were $190 million. Since the Sixties, American Home Products has licensed Inderal from I.C.I. Ltd., also of the U.K., and it's now the leading U.S. beta blocker, with 1981 sales of $276 million.

Until recently the procedure was fairly simple: If a foreign company wanted to sell a drug here but didn't have its own sales force to do the job, an American company was granted that right for an average royalty of 5% to 20% of the annual U.S. gross. Sometimes the licensee paid up-front money as well to reimburse for prior research, or even agreed to buy raw materials from the licensor.

But as licensing gets more popular, there is more competition for those foreign plums. And some foreigners, no longer content with royalties, like Glaxo Holdings Plc. of the U.K., are building their own sales organizations here. Another is Boots, whose U.S. license to Upjohn for Motrin was not exclusive, and which is now selling the same product here under a different name.

All this has given rise to product swaps, cross-licensing and comarketing. Says O.B. Parrish, president of pharmaceuticals for $1 billion (estimated 1982 sales) G.D. Searle: "To be an international marketer of drugs you need to be significant in 15 to 20 countries. It's tough for many companies to cover all that geography effectively. It's just as tough to cover all therapeutic areas of research. So what you're getting now is a tradeoff of skills where both parties can come out ahead. It's making two plus two equal five."

Last year, for example, Searle signed an agreement with Meiji Seika Kaisha, the largest antibiotic producer in Japan. Searle, which has no antibiotic research program of its own, will be able to sell Meiji's products in the U.S. as well as elsewhere. In return, Meiji has the right to comarket certain Searle interferons in both Japan and Southeast Asia, and the two will collaborate on new interferon manufacturing technology.

Whenever he can, Parrish also will go after smaller deals. Although Knoll Pharmaceuticals is the U.S. subsidiary of German chemical giant BASF A.G., it doesn't yet have a sales force in many European countries. So Searle has agreed to market the Knoll line in Spain and Belgium in return for a share of the profits. It even has the Philippine license to just two Knoll products. Altogether, 55 drugs Searle now sells worldwide are licensed and another 27 are being developed.

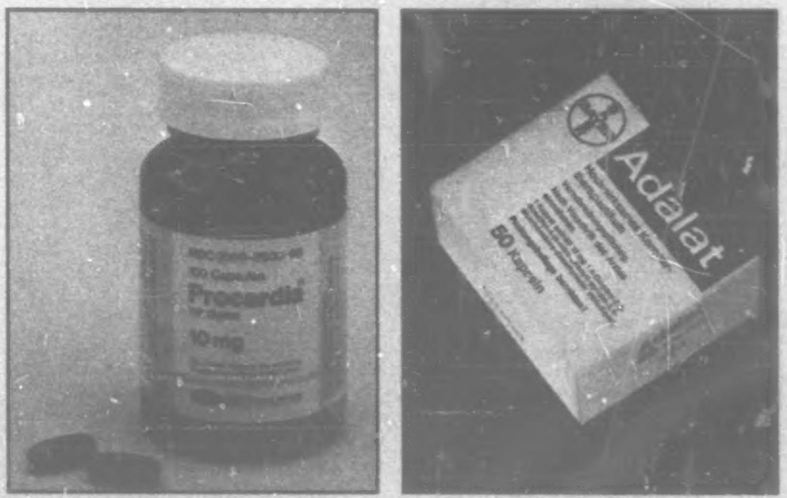
Merck & Co. has a different approach. For licensing purposes the industry leader divides the world into three areas—the U.S., Europe and Japan—and its goal is to sell someone else's drug in at least two out of three. So what $3.1 billion (estimated 1982 sales) Merck is looking for is a matchup with a foreign giant, say a Bayer or a Hoechst A.G. "Multinationals must learn to deal with each other on this," says Edgar Philbrick, vice president of corporate licensing.

So far, though, Merck's biggest splash has been of the more conventional sort. It paid Sweden's Astra A.B. an up-front fee of $60 million for the U.S. rights to future products. After reaching a certain sales figure, which the company won't disclose, the two then will form a joint venture to market those drugs. Meanwhile, Merck constantly keeps track of research at 125 firms around the world. "We're not looking for small stuff," admits Philbrick. "We have the reach to sell something far and fast, so the bigger the drug's potential the better. We also have the financial strength to pay top dollar, and our research is broad enough that we have many products available to swap."

But a company with big R&D and marketing operations isn't always the best choice as a licensee. Instead, it can be a smaller company with few or no drugs in the same category as the one that's up for grabs. Take $153 million (sales) Marion Laboratories. Some 70% of its volume is from products licensed since 1970. Not surprisingly, Marion's two hottest future prospects also come through licensing: the antiulcer drug Carafate and a calcium-blocker Cardizem, both from Japan.

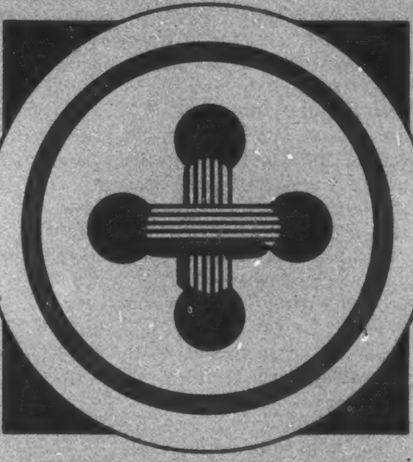
"The company negotiating to license its product to a big company may worry that, with all its other drugs, its own might fall through the cracks," says Marion President Fred Lyons. "The truth is, the integrity of the industry depends on treating what is licensed just the same as an in-house invention, because you have to put so much work into developing it for an FDA application. But I can understand a licensor's fear. With us, he knows he will get attention. Hell, depending on what kind of drug it is, it might be our whole line in that area!"

Marion's very existence is proof that the licensing system works and—if current activity is any indication—is here to stay. ■



Bayer's angina drug (right) *and Pfizer's licensed U.S. version*
Making two plus two equal five.

Whatever happened to the designer label? In the slow-growth apparel industry, things seem to be back to the tried and true.



Apparel

By Carol E. Curtis

"No fashionable woman is going to wear designer jeans today," says Joseph Scheines of Kurt Salmon Associates, the New York-based apparel consultants. Why? The market became so saturated that designer jeans lost their status. Now, they're a commodity.

But it's not just jeans, says Scheines. "Consumer resistance to continual trading up has finally reached the upscale consumer," he says. The designer label, which put show-business zip—and growth—into the apparel business for three or four years, won't be doing so anymore.

Now at about $5 billion, the jeans market grew 21% in 1980 and 1981. But last year it was flat, and this year will be that at best. Moreover, the disenchantment with fancy jeans is shared by higher-priced designer sportswear generally, including so-called activewear—fleece sweatshirts, jogging suits and other sporty clothing. "This is still a very important business, but the bloom is off the rose," says Jill Greenwood, a senior consultant at Kurt Salmon. Many department stores were caught during the winter season with $55 sweatshirts and costly jogging suits they were unable to sell. "Fleece activewear used to be a bright spot in the apparel industry," says Greenwood. "But last season that growth just wasn't there."

All that is one reason the $99 billion apparel business can't expect much leverage from an economic recovery. In fact, apparel experts are looking for only a modest increase of 1% to 2% in unit sales this year.

Even the small but important category of women's suits has entered a slow-growth mode. Two years ago sales of women's suits increased 69%, leading some apparel experts to predict a new, long-term growth market. But while there are more women in the executive suite, suits are languishing on racks. What about children's clothing, which accounts for a healthy 15% of all apparel sold? It would seem to be a logical exception, with the baby-boom generation now having families. Not so; though there are more women of childbearing age, they are having fewer children. More women are also single or divorced. So while some companies, like Chesebrough-Pond's Health-tex division, are posting gains, the overall market is soft. Last year adult apparel actually fared better than infants' and children's wear, whose unit volume dropped almost 3%, against a decline for all apparel of 0.2%. This year infants' and children's wear is expected to grow at about the same lackluster pace as all apparel.

Domestic producers may actually

Will socks stay up?

In Tiffany's recently, an obviously affluent woman was spotted carrying a fur coat over her arm, wearing skintight jeans (no designer label) and leg warmers. The outfit had nothing to do with keeping her legs warm. She was making what the industry calls "a forward fashion statement."

Even in the hardest-hit industries, there will always be some marketing opportunities. This season, it appears to be socks and leg warmers. "Socks are out of the fashion doldrums!" proclaims a delighted Sid Smith, president of the National Association of Hosiery Manufacturers.

Building a fad around socks might defy logic. But Smith cites impressive numbers to show that it's happening. Sales of women's and children's socks, which currently account for 19% of the $5.9 billion hosiery industry, rose 19% last year. Midcalf women's and children's socks, which include the textures and patterns that are fashionable, were up 30%. Leg warmers, with almost no sales until last year, rose a spectacular 340% in the first three quarters of 1982.

NEW YORK SOCK EXCHANGE

Socks department at Bloomingdale's
Soon, arm warmers to match.

Will socks stay up? Smith expects they will hold their own this year, and that leg warmers will do better. They're a small-ticket item, he says, allowing women to change their look significantly for relatively little money. "Leg warmers capitalized on the fashionable layered look," he says. They also make women look athletic, which is stylish. To expand the trend, the hosiery industry will soon introduce arm warmers to match.—C.E.C.

show a decline. The reason? Imports from abroad account for 25% of every dollar spent on apparel, and total sales of foreign-made goods are expected to jump another 8% this year.

With such an unpromising outlook, who will beat the averages? Kurt Salmon's Greenwood believes it will be companies able to carve out a market niche and aim their sales at the long-term needs of a particular customer rather than a short-lived fad. One example is Merona Sport, a division of Oxford Industries that is successfully merchandising the "weekend wear" concept. Its specialty is natural fiber sportswear for working men and women to wear mainly on Saturday. Merona's sales have spurted from $250,000 in 1978 to $35 million last year; this year, revenues are projected at $55 million. "Customers are tired of designer logos," says Merona President Lee Backus.

Other winners will be companies with recognizable brand names. "A brand name means the company stands behind it; it is not just a designer stamp," notes Jeff Edelman, a first vice president at Dean Witter who follows the apparel industry. National brand names have been steadily increasing their share of the apparel dollar; it now stands at 25%, up from 20% a decade ago. The companies behind them will provide the success stories of 1983, Edelman expects. He predicts a 50% hike in profits for Levi Strauss, the $2.9 billion (sales) industry leader that markets Levi's jeans. He is also recommending V.F. Corp. (Lee jeans, Vanity Fair) and Jonathan Logan (Villager, Etienne Aigner). "The name of the game is branded merchandise," he says. "With few exceptions, only those companies that have already done well are going to continue to do well." ■

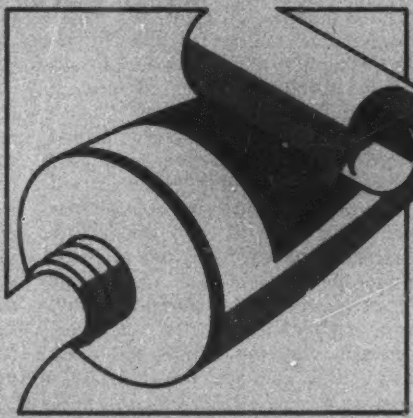
Apparel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Clothing												
Levi Strauss	1	26.3%	13.2%	0.2	1	23.3%	12.3%	4.8%	2	17.7%	3	21.0%
VF	2	22.3	30.7	0.1	2	18.8	26.1	8.9	5	9.7	5	17.4
Palm Beach	3	21.8	8.5	0.3	3	15.1	7.2	1.5	1	23.0	6	16.5
Warnaco	4	17.8	19.0	0.4	5	12.6	14.4	4.7	10	5.8		D–P
Blue Bell	5	16.1	8.7	0.1	4	14.2	8.4	2.9	3	14.2	8	7.4
Interco	6	13.5	9.8	0.3	6	12.1	8.9	[illegible]	4	10.6	9	6.7
Hart Schaffner & Marx	7	11.9	12.7	0.6	7	9.7	10.8	3.6	7	7.0	7	12.5
Cluett, Peabody	8	9.8	10.8	0.5	8	8.8	9.8	2.5	9	5.9	4	17.7
Manhattan Industries	9	8.8	19.6	0.9	11	7.0	10.4	2.6	6	7.3	2	25.0
Phillips-Van Heusen	10	8.3	7.8	0.6	10	7.0	7.2	1.7	11	5.1	1	38.5
Kellwood	11	7.6	11.0	0.6	9	7.1	11.1	1.6	8	7.0	10	–3.4
Jonathan Logan	12	def	9.8	0.3	12	def	8.5	2.0	12	3.0	11	P-D
Medians		12.3	10.9	0.3		10.9	10.1	3.0		7.2		16.5
Textiles												
Cone Mills	1	13.4%	5.4%	0.1	1	12.2%	5.1%	3.0%	7	6.7%	5	9.5%
West Point-Pepperell	2	12.0	11.5	0.3	2	9.6	9.6	3.9	1	11.9	4	9.7
Fieldcrest Mills	3	11.9	4.8	0.6	3	9.2	4.1	1.4	2	8.8	6	9.4
Riegel Textile	4	11.8	5.8	0.3	4	[illegible]	5.0	2.1	5	7.4	7	5.0
Collins & Aikman	5	10.8	10.8	0.3	5	8.5	8.5	3.1	3	8.2	8	4.3
Springs Industries	6	9.1	12.2	0.2	6	7.9	10.8	5.1	6	7.1	3	16.4
Dan River	7	8.7	2.7	0.5	7	6.7	3.2	1.0	9	5.0	2	17.0
Burlington Inds	8	7.4	4.5	0.4	8	6.1	4.1	1.8	10	5.0	9	–1.3
M Lowenstein	9	6.2	10.0	0.5	9	5.8	8.0	2.9	12	2.6	1	78.5
Avondale Mills	10	4.5	0.6	0.1	10	4.8	0.9	0.1	8	5.8	10	–8.0
J P Stevens	11	4.3	4.5	0.7	11	4.5	4.4	1.1	4	7.6	11	–9.2
Graniteville	12	2.1	def	0.5	12	2.5	def	def	11	4.7	12	–29.2
United Merch & Mfrs	13	def	def	0.7	13	def	def	def	13	–7.6	13	D–D
Medians		8.7	4.5	0.4		6.7	4.4	1.8		5.7		5.0
Shoes												
NIKE	1	96.6%	80.3%	0.1	1	79.2%	46.1%	7.2%	1	90.6%‡	1	98.0%‡
SCOA Industries	2	29.3	22.3	0.9	3	17.7	14.3	3.0	3	12.9	2	29.3
Melville	3	26.6	21.6	0.2	2	25.0	20.0	4.2	2	18.8	3	18.7
United States Shoe	4	19.5	18.3	0.2	4	15.6	15.4	4.7	4	13.2	5	16.8
Brown Group	5	16.3	17.2	0.2	5	13.7	14.4	4.2	5	9.5	4	17.8
[illegible]	6	4.4	def	1.7	6	4.7	0.5	def	6	–6.4		D–P
Medians		23.1	20.0	0.2		16.7	14.9	4.2		12.6		18.7
[illegible]		[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]		[illegible]		[illegible]
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit: not ranked. def: deficit.

You find the high-class perfume only in the high-class stores, right? Not anymore.



Toiletries and cosmetics

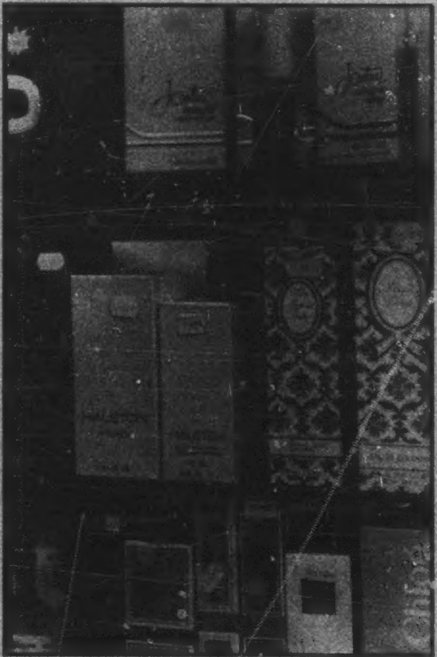
By Barbara Ettorre

THESE ARE SURPRISINGLY tough times for the lotions and potions business. The fact is, it is perilously close to being no longer recession-proof. Unit sales were down about 4% in 1982, although price increases kept up dollar volume. But this year, many analysts expect dollar gains of no more than 8%—in other words, pretty close to flat when you take out inflation.

Even one of the industry's stalwarts is having its troubles: prestige fragrances, those very expensive (from $20 to $400 an ounce) scents sold to customers who—it has always been assumed—don't have to worry about recession. It's serious, since fragrances represent from 35% to 40% of all cosmetics sold. In response, some manufacturers are succumbing to a temptation that could kill off the cachet of high-class perfumes entirely. By the end of last year, perfume lines formerly sold only in better department and specialty stores were showing up in bulk in chain drugstores, mass merchandisers such as J.C. Penney and K mart, and other outlets that never before saw the likes of Opium, Oscar de la Renta and Halston. Moreover, the price was being slashed severely—as much as 40% off the suggested list, contend some industry sources. More like 15%, say drugstore executives. But that can still mean, say, about $7 off a 2.3-ounce bottle of Yves St. Laurent's Opium spray cologne, normally sold at around $48 in a department store.

For David Eisenberg, senior vice president of marketing at Peoples Drug Stores, Inc., the phenomenon is welcome. "The wheel that has been wound so tightly is now opening up, and we can get these products now," he says. "I look at it as extra dollars. I don't have to have counter personnel to sell it, either. Department stores probably are losing their leverage to be able to sell this stuff exclusively."

Indeed, a good 20% of fragrance sales in department stores, according to Jack Salzman, an analyst at Smith Barney, Harris Upham & Co., is pumped out of promotions—mostly gift-with-purchase or purchase-with-purchase incentives. "I suspect that the number will be at least this and more in 1983," he says. "The trend completely buries the myth that women who buy high-priced fragrances are not price-sensitive."



Drugstore display of women's fragrances
How far downscale can you go?

Compounding the problem is an import glut of French-made fragrances, encouraged by the strong dollar. Among them: Opium, Oscar de la Renta, Paco Rabanne for men, Chloé by Karl Lagerfeld and several Guerlain scents.

The French invasion is "a major source of irritation," says Simon Critchell, vice president and general manager for the fragrance division of Cosmair, Inc., which represents the L'Oréal Group brands in the U.S. "It's more than an aberration—it could destroy the distinction between selective and nonselective brands." Critchell has a vested interest (Cacharel, Anaïs Anaïs and Guy Laroche fragrances), to be sure. But an estimated $80 million to $100 million worth of French-made perfumes at retail are now available in the U.S. for diversion to discount stores.

"There is tremendous profit to be made by French manufacturers," says Robert Miller, executive vice president of Squibb Corp.'s Charles of the Ritz Group, Ltd. "We just spent $300,000 for equipment to code our U.S. merchandise by laser. But a third party can buy products at retail from a French-based company, land them in the U.S., pay duties and still offer them at prices lower than they wholesale for here—far cheaper than we can because of the value of the franc." Miller and several other U.S. perfume executives have requested the Food & Drug Administration to police the sales of improperly marked fragrances, with limited success thus far.

This sort of thing is not unknown, of course. If a manufacturer has trouble meeting his numbers, he sells to more sources. But it has never happened on such a large scale in high-price perfume before because the image of prestige is so important.

Which perfume manufacturers are doing it? Retailers won't discuss it. Most perfume makers won't, either. One of the few who will is Carlo Bilotti, president of Jacqueline Cochran, Inc., a division of American Cyanamid Co. About four years ago he started distributing his popular L'Air du Temps scent ($16.50 retail for a 1.7-ounce spray bottle) half to department stores, half to independent chains and mass retailers.

Is Bilotti risking the destruction of L'Air's image? Prestige is maintained, he says, because it is an old-line scent (introduced in the late Forties) and its top-of-the-line department-store products are sold in expensive Lalique crystal bottles. Moreover, Jacqueline Cochran recently introduced Niki de Saint Phalle, a prestige fragrance priced about 20% higher than L'Air du Temps and sold only in department stores.

But many in the industry think brands will be cheapened and ultimately destroyed, if not by the locations that carry lower-price merchandise, then by the discounting. For this reason, even some drugstore chains are unwilling to cut the price. William Geary, divisional merchandise manager of Walgreen's fashion division, considers discounting an expensive scent to be "a short-term decision" only.

If this kind of marketing becomes a fact of life rather than an aberration, though, some makers of lower-price fragrances sold now in chain drug and mass retail stores may try to break into the prestige end, risky and costly as that can be. Edward Rabin, president of the Prince Matchabelli division of Chesebrough-Pond's, which puts out such less-expensive scents as Wind Song, Aviance and Cachet, is one of those considering it. Exclusive stores will be enraged at the cheapening of their expensive perfumes' images, he says, so "there's an opening for a company that can promise them exclusivity. It's a gift from heaven for us." Prince Matchabelli, Rabin says, expects to be in the prestige perfume marketplace by 1984 or before.

But where will Opium be in 1984? As one angry department store retailer says: "Will the customer ever go back to paying the full price?" ■

The mice and the elephant

A Richardson-Vicks Inc. executive said it best: "Oil of Olay is a big elephant being nibbled on by a lot of little mice." Here comes another mouse—with some powerful backing.

This month the Gillette Co. will introduce Aapri apricot replenishing lotion and cream, a product introduction that will be closely watched by Richardson-Vicks, maker of Oil of Olay, which dominates the $600 million facial cleanser and moisturizer segment of the skin care market. Well should R-V be watchful: In the 18 months since Gillette brought it out, Aapri lotion's predecessor, Aapri apricot facial scrub, has grabbed almost a 15% unit share, according to A.C. Nielsen, against such cleansing behemoths as Noxell's Noxzema and Chesebrough-Pond's cold cream.

Gillette's Aapri
The face-off.

Gillette will have spent more than $25 million to market Aapri facial scrub in the first two years alone—so R-V should know that Aapri is not a product to be trifled with. "You have to take them [new competitors] very seriously," says Peter Wilson, vice president and marketing director of R-V's Vicks Toiletries Products division. Oil of Olay still has 31% of its market and retail sales of $100 million a year. But the mice have taken a few nibbles. That 31% was 34% in 1981, Wilson concedes.

Clearly, though, Oil of Olay is an elephant to be reckoned with. Says William Ryan, president of Gillette's $400 million (sales) personal care division, "We are going into the teeth of the gale."—B.E.

Toiletries and cosmetics

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Avon Products	1	27.7%	19.0%	0.0	1	27.3%	19.5%	6.7%	3	13.0%	6	7.8%
Intl Flavors & Frag	2	22.4	18.6	0.0	2	20.9	17.8	13.6	5	12.0	3	13.0
Chesebrough-Pond's	3	21.4	20.2	0.3	3	17.5	17.2	7.6	2	15.3	2	14.2
Procter & Gamble	4	19.6	20.2	0.2	5	15.3	15.5	6.7	4	12.5	5	12.0
Kimberly-Clark	5	19.1	15.7	0.2	6	14.6	12.7	7.2	7	11.1	1	15.4
Revlon	6	18.3	10.1	0.3	4	15.4	8.3	5.6	1	20.5	4	12.2
Gillette	7	18.1	17.7	0.4	7	13.6	13.0	5.7	9	9.3	7	7.0
Colgate-Palmolive	8	14.7	16.0	0.2	8	12.4	13.1	4.1	8	10.1	8	4.1
American Cyanamid	9	12.3	9.2	0.3	9	9.5	7.6	4.0	6	11.3	9	3.5
Industry medians		19.1	17.7	0.2		15.3	13.1	6.7		12.0		12.0
All-industry medians		15.9	12.7	0.4		12.0	9.3	4.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.

Despite all the things going against it, the tobacco industry just keeps rolling along. But is a downturn in the cards for 1983?

Tobacco

By Jon Schriber

THE TOBACCO INDUSTRY has survived 20 years of attacks by the U.S. Surgeon General, the FDA and the American Cancer Society. Now it faces a doubling of the 8-cents-a-pack federal excise tax. Publicly the industry may howl at this, but privately it is not overly worried. Jill Esposito, a 17-year-old at Northfield Mt. Hermon prep school in Massachusetts, personifies the reason. "Smoking is a way to relieve tension and also to be social," she says. "I started last year when I came here, and it would be difficult to stop now."

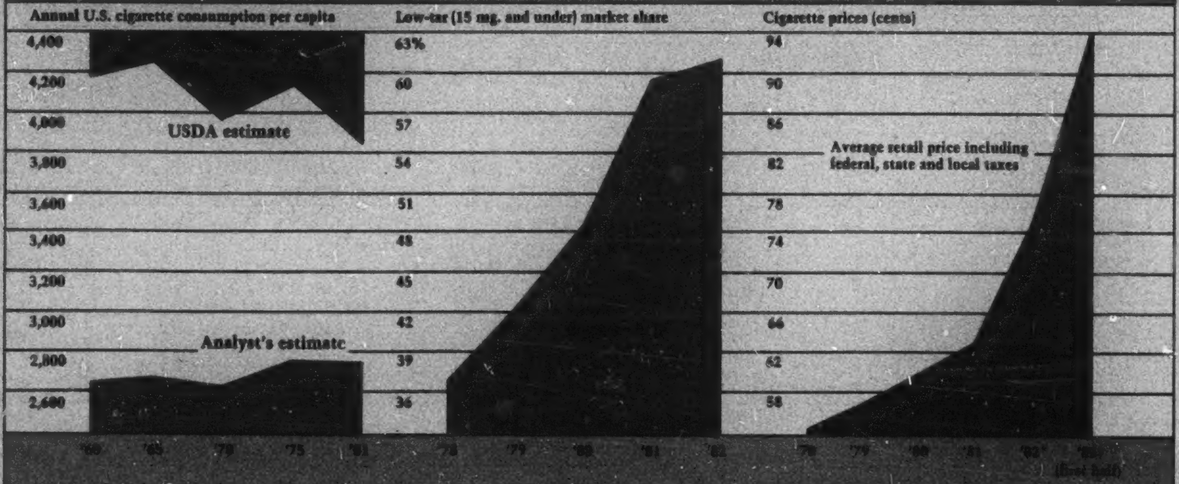
Jill represents the industry's growth area: women. According to one national survey, more high school senior girls now smoke half a pack or more a day than senior boys (13.8% vs. 12.8%). And adult women are moving toward parity with adult male smokers. Female smokers have increased more than 15% since 1970, while women as a percentage of total adult smokers have grown from 44.2% to 47.4%.

Thus, for a mature and uniquely maligned industry, tobacco keeps on doing well. More people over 18 now smoke than ever before—some 60 million Americans. Some 628 billion cigarettes were sold in 1981, an increase of 17% in the last decade. A case can be made that even per capita consumption has not declined, as Department of Agriculture figures show: The government counts only smokers 18 and older. Simply dividing total population into total cigarette consumption shows the increase *(see chart below)*.

Ironically perhaps, the trend toward low-tar and ultra-low-tar also leads to increased consumption. Low-tars, defined by the government as cigarettes with 15mg of tar or less, have less nicotine, of course. But "nicotine is one of the pleasures of smoking," says Roy Burry, an analyst at Kidder, Peabody & Co. "The natural tendency is to smoke more cigarettes in order to

Cigarettes are still hot

The USDA says per capita cigarette consumption has dropped. Has it? In fact, a case can be made that, since the government doesn't count teenage smokers, there has actually been a modest increase since 1970. Big growth area: low-tars, which smokers tend to consume in greater quantities. Biggest growth: retail price.



*Estimate by Tobacco Merchants Association. †Analyst's estimate.

Source: John C. Maxwell Jr., Lehman Brothers Kuhn Loeb get the same amount of nicotine."

The result of all this: After a decade of diversification, tobacco is still the keystone of such companies as R.J. Reynolds Industries and Philip Morris, Inc. Back in 1968, RJR got 89% of its sales and 96% of operating earnings from tobacco. Today, after acquiring Sea-Land, Burmah Oil, Del Monte and Heublein, RJR still gets 46% of sales and 68% of earnings from tobacco, and tobacco still contributes 89% of operating profits to Philip Morris, despite its Miller Brewing and Seven-Up subsidiaries.

Further attacks are in store, though. In addition to the federal excise tax hike, nine states increased their excise taxes last year, and bills are now pending in six more, including one in Pennsylvania that would increase that state's tax from 18 cents a pack to 40 cents. "They are all in [financial] trouble, and the first things they look toward are cigarettes, liquor and gasoline," grumbles Curtis Judge, president of Lorillard and chairman of the executive committee of the Tobacco Institute.

This is all making smoking an expensive habit indeed. Will that discourage smokers? "Big towns like New York or Chicago have taxes so high that cigarettes already cost 90 cents to $1 per pack. Another dime or so dribbled in over time may not have much impact," says Jack Maxwell of Lehman Brothers Kuhn Loeb, the industry's unofficial statistician. Maxwell believes that consumption may dip 1% to 3% in the first part of the year. Over the long term?

Hello, Mrs. America

Scratching out a 1% share of the cigarette market can mean $130 million in revenues. But if the rewards are high, so are the costs. Take Brown & Williamson, which in 1981 launched its new Barclay brand. Even in an industry that spends $1 billion a year in advertising, the Barclay project was massive. B&W, the U.S. subsidiary of Britain's giant B.A.T. Ltd., spent $100 million in media and marketing expenses in the first year alone—the most expensive send-off in American cigarette history. But it was money well spent. Barclay captured a 1.3% market share, helping to turn the fortunes of Brown & Williamson's entire American line around.

Most new brands, though, are not new at all, but merely extensions. R.J. Reynolds, for instance, introduced 11 brands nationally in the last two years. The names of many were not new, however, only the adjectives: More Lights 100s, Salem Slim Lights, Vantage Ultra Lights and Winston Ultra Lights. Winston now has the distinction of seven different so-called packing variations.

But periodically a company must pay what it costs to bring out something totally new, like Barclay. R.J. Reynolds has recently introduced Bright, a low-tar entry with a "unique" taste (some would say peppermint, although the company declines to define it).

"Unique" taste and a flashy name seem to be prerequisites. Lorillard, a division of Loews Corp., has big hopes for Satin, now being test marketed, to help shore up its low-tar lineup, which accounts for some 75% of Lorillard's business. Satin is to be sold as a woman's cigarette—"not the Virginia Slims woman," explains Lorillard President Curtis Judge, "but Miss or Mrs. America who wants to spoil herself." Satin may or may not make it, but Lorillard has had some experience launching new brands: Some 45% of its volume is from brands that are less than eight years old.—J.S.

Price increases may deter few buyers, until suddenly the price passes a threshold. In England, where cigarettes cost $2 a pack, a 10% price increase can lead to a 3% consumption decline. In the U.S., where the majority of smokers have below-average incomes, $2 a pack could start making some real inroads in take-home pay and cigarette consumption. The U.S. population also continues to gravitate from young to old. As people start counting their life down and not up they tend to smoke less.

Thus, sooner or later, says Kidder, Peabody's Burry, there will be a plateau. "People were wrong before, thinking per capita consumption was going down. Now, because the industry has been so popular and done well in the stock market, they will probably be wrong the other way. They are all going to think the consumption of cigarettes is going up when it really starts to go down." Whenever that time comes. ■

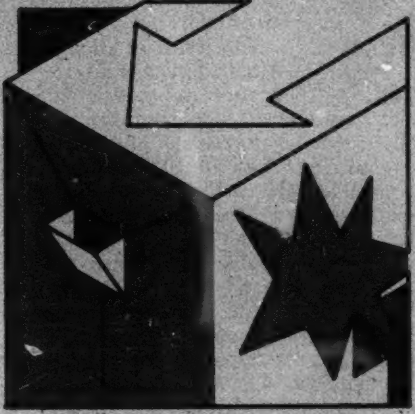
Tobacco

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Philip Morris	1	23.6%	22.9%	0.9	3	13.5%	12.1%	6.6%	1	20.3%	2	19.2%
Loews	2	23.0	18.7	0.5	4	12.2	11.4	5.0	2	15.4	1	25.5
American Brands	3	21.7	19.7	0.3	1	15.9	15.1	5.8	4	9.7	3	18.5
R J Reynolds Inds	4	20.9	21.6	0.2	2	15.0	15.5	7.0	3	15.1	4	11.3
Culbro	5	14.6	7.9	0.2	5	9.4	8.0	2.1	5	3.9	5	5.4
Industry medians		21.7	19.7	0.3		13.5	12.1	5.8		15.1		18.5
All-industry medians		16.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.

Maryland Cup may have sacrificed consumer recognition to competitors, but it seems to have been worth it.



Packaging

By William Harris

FEW PEOPLE REMEMBER, but Ray Kroc was once a hotshot paper cup salesman at Lily Tulip. He devoted ten years of his life to that firm before storming—and buying his way—out in 1938. It seems Kroc was constantly bumping into management with his marketing ideas. Sixteen years later, when Kroc started McDonald's, he didn't even consider his former employer as a possible vendor. Instead, he went straight to Maryland Cup.

Maryland Cup (sales $656 million) is still supplying McDonald's with containers for soft drinks and milkshakes, along with 4,000 other customers, including Baskin-Robbins, Wendy's and Pizza Hut. Its Sweetheart brand may not be as well known among consumers as competing Dixie Cups, but Chairman Merrill Bank is not exactly concerned about consumer recognition problems. His 72-year-old outfit, based in Owings Mills, Md., is the largest and most profitable company in this $3 billion segment of the packaging industry.

That's because Maryland was the first to go after the high-volume fast food, institutional and recreational user of paper and plastic dinnerware, rather than fight for limited space on supermarket shelves. McDonald's alone accounts for 11% of Maryland's sales. Despite the recession and a drop in fast food sales, Bank has still managed to squeeze out better profits on flat sales in fiscal 1982, ended Sept. 30. Earnings grew 4%, to $31.7 million, or $4.66 a share. Meanwhile, he has maintained Maryland's 4.7% aftertax margins—almost double that of

Packaging

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Tyco Laboratories	1	31.5%	19.4%	1.2	1	15.8%	10.8%	4.2%	1	33.7%	1	30.0%
Sonoco Products	2	17.6	14.4	0.2	2	14.4	11.6	5.7	3	15.5	3	14.6
Ball Corp	3	16.2	17.2	0.7	4	11.0	11.1	3.8	4	15.5	4	14.5
Stone Container	4	15.6	8.9	0.7	6	9.4	4.9	2.9	11	10.6	10	7.3
Maryland Cup	5	14.8	14.2	0.3	5	10.7	10.7	4.8	5	15.4	2	15.9
Crown Cork & Seal	6	14.2	9.1	0.0	3	12.5	7.9	3.8	10	13.7	5	11.4
National Can	7	12.9	8.3	0.4	7	9.2	6.3	1.8	8	10.8	6	10.8
Continental Group	8	12.4	9.5	0.5	8	9.0	7.1	3.6	14	8.3	11	6.1
Owens-Illinois	9	11.1	7.5	0.4	11	7.9	6.1	2.8	13	9.3	9	8.4
Bemis	10	11.0	7.2	0.4	10	7.0	5.9	1.9	16	3.1	8	8.4
Anchor Hocking	11	10.5	4.4	0.3	9	8.3	4.1	1.5	9	10.8	12	4.1
Dorsey	12	9.8	def	0.4	14	7.4	def	def	2	19.1	7	9.2
Kerr Glass Mfg	13	9.6	8.2	0.6	12	7.8	6.8	2.2	7	13.0	13	2.3
Diamond Intl	14	8.3	2.4	0.3	13	7.6	3.2	1.4	15	7.8	15	–5.3
Brockway Inc (NY)	15	8.2	7.1	0.4	15	6.7	6.2	1.9	6	13.1	14	–1.3
American Can	16	5.7	def	0.5	16	4.8	def	def	12	9.6	16	–10.8
Industry medians		11.1	8.3	0.4		8.7	6.3	2.5		10.8		8.4
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.

his competitors—and reduced long-term debt.

One paper cup is pretty much like another, although Maryland's are actually priced a bit higher than those made by either Dixie or Lily. But one way Bank maintains his market lead and keeps his customers from defecting is by offering cup-filling equipment along with his disposables. These machines—like the ones seen in stadium concessions cupping and capping beer—are lent, not leased. So if customers use someone else's cups in them, Maryland will terminate that loan.

"Our systems approach to selling goes back to the days when we were private," explains Bank, 67, who joined the firm in 1934 straight out of high school. "We were only making ice cream cones then, and I would go on my sales route with a postage scale to show customers how to standardize the scoops." What was true then still applies today. Customers don't mind paying a premium for Maryland's products if they, in turn, can reduce waste and lower labor costs. (Maryland, incidentally, is still making ice cream cones; it is the largest manufacturer of these edible containers in the world.)

But there's something else less tangible going on here. Bank is an old-fashioned, hands-on type who understands that personal contact, even in a commodities-like business, is invaluable. Furthermore, each of Maryland's top five executives has put in an average 45 years with the company. Such management stability helps cement customer relationships with people like Ray Kroc.

That longevity is not surprising, really. Maryland is a family-owned business, with some 50% of the stock scattered among 90 members of the Shapiro clan, descendants or inlaws of the four brothers, all bakers, who started the ice cream cone company in 1911. Nine out of 13 directors are Shapiro family members. More unusual, Bank and his management team members each earn the same $205,000 base salary. It's a lot like a limited partnership within a public corporation.

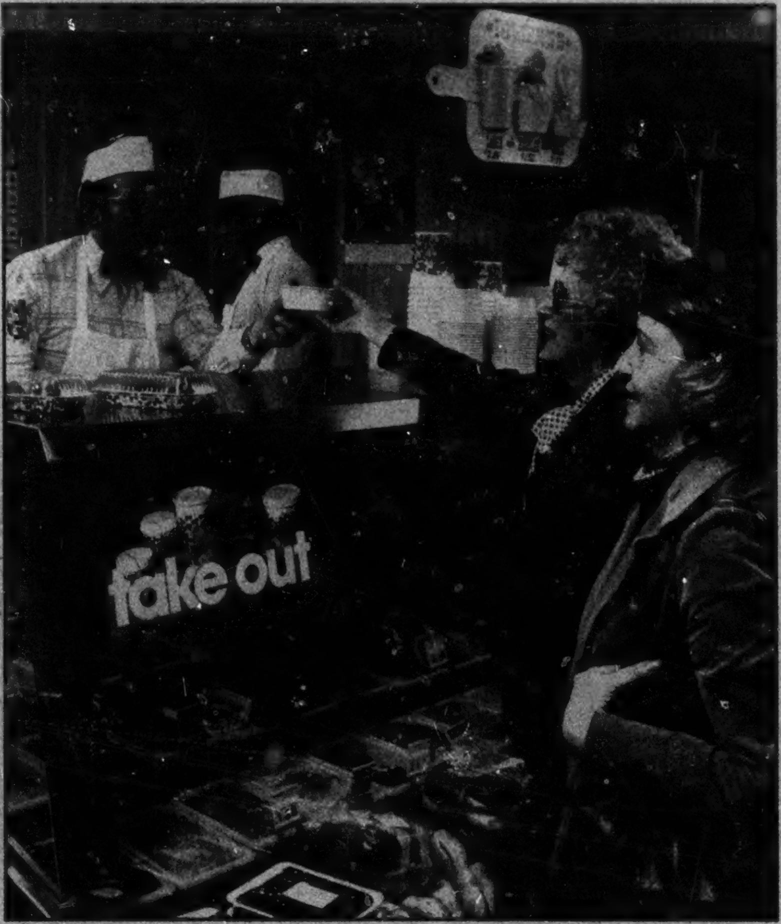
Every family has its share of squabbles, and Maryland is no exception. In 1979 and again in 1981 word leaked out that Maryland was talking with Kraft and Fort Howard Paper, respectively, about merger possibilities. Both potential deals fell through. While Bank says he's not interested in merging, he doesn't deny that some of the family members would like to cash in. Says he: "My daughters are only interested in their dividends, not in growing a business."

More growth is not going to come quickly. Maryland has pretty much saturated the fast food business in the U.S.—an estimated 35% of sales, although the company doesn't release any segment information. Still, there are ample opportunities remaining overseas for hamburgers, french fries and a Coke. Maryland is now piggybacking off the likes of McDonald's, as the fast food chains step up their European invasion.

At the same time, Bank is trying to increase Maryland's penetration of hospitals and of school cafeterias. But a big chunk of that institutional market is not yet convinced that using paper plates and cups is any cheaper or better than washing china and glass tableware. What's more, the competition for those users could be fierce, now that both Dixie Cups and Lily Tulip have new owners. James River, the $773 million (sales) forest products company, recently purchased Dixie from American Can and Owens-Illinois spun off Lily to a group of private investors.

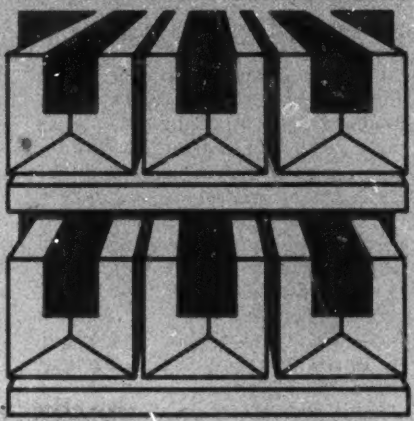
But Bank expects some of Maryland's biggest growth to come from a new edible package. He won't give specifics about the product, except to say it's something of a cross between an ice cream cone and a taco shell. Clearly Bank has not forgotten Maryland's roots. It was ice cream cones, after all, that first led the company into the fast food business. When customers like Dairy Queen started offering food and drink to patrons, Maryland saw a market opportunity and began manufacturing disposable paper containers.

Whether Bank will be able to circulate a whole new generation of products through his existing customers has yet to be seen. But it's just the kind of marketing chutzpah Ray Kroc would applaud. And probably buy. ■



Lunch to go
Disposable containers are now a $3 billion industry.

Dousing inflation is not necessarily good for everybody. For an "inflation conduit," it can be painful. The shakeout in food wholesaling, in fact, is already under way.



Wholesalers

By Jonathan Greenberg

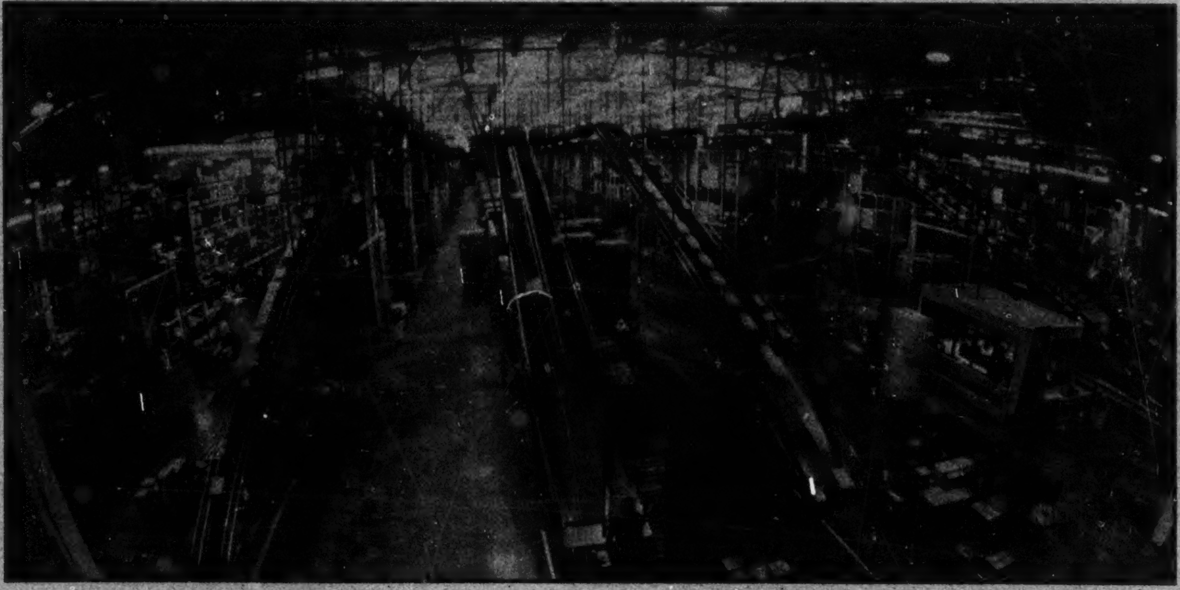
THIS IS AN INDUSTRY in its infancy in the use of computers, and it has to get to the Buck Rogers state within ten years," says James W. Norris, an Arthur Andersen specialist on wholesalers. "And many small companies will have a hard time assimilating the technology in order to be competitive."

For the small players in wholesale food, that discouraging prediction could have come at a better time. They have enough trouble on their hands, what with inflation slowing down and all. That's right—not everybody is hurt by inflation, and the $60 billion wholesale food industry is a good example. "It's an inflation conduit," explains Leon Borchers, a Robinson Humphrey analyst. "Wholesalers benefit, in fact, by passing inflation through on a cost-plus basis."

The nation's 405 general line food wholesalers supply food, nonfood products and operating services to smaller supermarket chains and all of America's 108,000 independent grocery stores. They are middlemen between manufacturers and grocers. These days, this fragmented business is steadily consolidating. Big companies like $3.7 billion (estimated 1982 sales) Fleming Cos., $5.1 billion Super Valu Stores and $2.3 billion Wetterau have been steadily building market share by shaving prices, then acquiring weakened smaller firms.

Late last year, for example, Fleming paid $91 million for three distributorships and two related subsidiaries owned by Waples-Platter Co. of Ft. Worth, Tex. with combined fiscal 1982 sales of $722 million—the largest acquisition in the industry's history. Fleming CEO R.D. Harrison believes the cost of the new technology is driving out smaller players. "They're unable to make the kind of investments necessary," he says. "The efficiency gap is widening between those who can afford it and those who can't."

How much will it cost to computerize the warehouse industry? Nobody knows for sure, but Mike Wright, CEO of Super Valu Stores, the largest food wholesaler, says it will be "enormous." Thus, selling out to someone



The modern warehouse of a large wholesale food distributor
The cost of the future squeezes the little guy.

with the necessary capital can become the only way out for the little guy. "By merging with larger companies, the warehouses have capital available to expand their distribution centers and to help their retailers expand by financing their growth," he says. Wright's company, in fact, currently has nearly $100 million outstanding in financing for its customers' operating needs. That kind of support has helped his customers to attain better than 5% improvement in real tonnage last year. With interest rates declining, says Wright, the independent retailers he services will probably be able to expand their operations and open more outlets.

The small wholesalers can't always support customers that way—and then there's the expense of the technology of the future. Computers, of course, are a natural for a business that has to keep track of millions of items, and specifically a natural for food wholesalers, where the name of the game is to give their customers—mainly independent grocery stores and chains—the advantages the big supermarket chains enjoy through integration.

One of the most promising computer systems is "host support" for the data generated in grocery stores' point-of-sale (POS) registers. The stores often have relatively small computers to analyze the millions of transactions their POS scanners record. Yet this information can be a gold mine for marketing and inventory control if it is fully analyzed. That's an opportunity for the wholesalers. Super Valu uses a $300,000 IBM 4300 computer to assist its customers and spends more than $1 million a year to analyze scanning data.

Another technological frontier is the "uniform communications system" (UCS), a direct link between the computer of the wholesaler and those of its manufacturing suppliers. In a high-turnover industry involving over 10,000 different items, UCS is expected to eliminate costly human error in handling mountains of transactions, as well as postage costs; more important, it will shorten lead time on inventory and inventory expense. The system could save suppliers and distributors an estimated $270 million annually in transaction costs, according to consulting firm Arthur D. Little. The problem is that the system works for the wholesaler only to the extent that his suppliers are also on it. Still, Jerry Peck, president of the National American Wholesale Grocers Association, expects the number of users of the UCS to quadruple in 1983 and quadruple again in 1984. ■

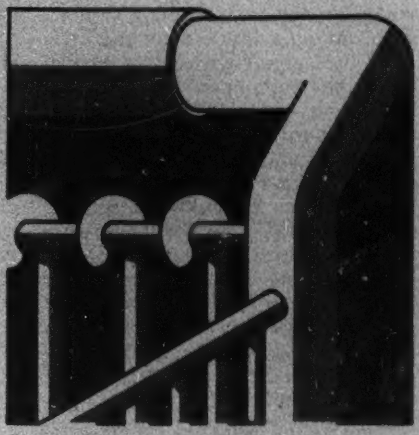
Wholesalers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Food distributors												
Super Valu Stores	1	28.0%	23.8%	0.4	1	19.3%	18.0%	1.4%	5	15.9%	1	23.3%
Farm House Foods	2	19.8	16.3	2.6	7	10.9	6.9	0.3	1	38.8	4	14.2
Sysco	3	19.2	20.3	0.3	2	14.9	16.0	2.0	2	18.4	2	19.9
Fleming Cos	4	18.0	18.3	0.6	5	12.6	12.8	0.8	8	13.5	7	10.7
Malone & Hyde	5	17.5	16.9	0.5	3	14.2	12.7	1.3	4	15.9	6	10.9
Flickinger	6	15.5	16.8	0.6	4	13.0	15.0	0.8	9	12.7	5	12.7
Nash Finch	7	14.9	13.3	0.4	6	12.0	10.6	1.0	10	12.2	9	6.4
Wetterau	8	12.5	10.1	0.9	8	10.3	7.5	0.5	6	14.1	11	1.6
Super Food Services	9	12.1	11.5	1.5	9	8.9	8.1	0.3	3	16.8	10	[illegible]
CFS Continental	10	11.6	14.9	0.6	10	8.5	10.7	1.4	7	13.6	8	7.8
Pac Gamble Robinson	11	10.3	6.3	0.7	11	8.3	5.7	0.4	11	8.3	12	0.6
Di Giorgio	12	9.3	6.4	0.9	12	7.0	5.4	0.8	12	7.8	3	18.3
Scot Lad Foods	13	9.0	3.9	1.0	13	6.5	4.6	0.2	13	2.3		D–P
Medians		14.9	16.1	0.6		10.9	10.6	0.8		13.6		[illegible]
Other wholesalers												
Phibro-Salomon	1	35.5%	21.8%	0.5	1	27.8%	15.7%	1.3%	1	32.2%	2	27.5%
Std Comml Tobacco	2	22.2	21.0	0.3	2	17.3	18.0	2.4	2	28.5	3	18.6
Alco Standard	3	19.2	17.3	0.6	5	14.1	12.8	2.2	3	17.2	7	13.5
Universal Leaf	4	18.7	18.6	0.2	3	16.1	13.7	2.8	11	8.5	4	15.5
Bergen Brunswig	5	18.4	22.1	0.7	4	14.2	15.6	1.4	4	16.8	1	53.0
Foremost-McKesson	6	16.9	13.5	0.6	9	11.0	9.5	1.5	10	9.1	9	[illegible]
Univar	7	16.9	9.4	1.2	10	10.4	6.3	1.0	9	9.6	8	11.4
Amer Hospital Supply	8	16.0	19.4	0.3	6	13.8	16.6	6.9	5	15.7	5	15.2
Dibrell Brothers	9	14.7	20.5	0.6	8	11.7	13.3	2.1	7	11.4	6	13.6
Lowe's Companies	10	14.4	12.7	0.3	7	11.7	11.0	2.4	6	12.8	11	3.9
Amfac	11	12.0	4.6	0.7	11	7.8	4.1	1.1	8	10.2	10	[illegible]
Medians		16.9	18.6	0.6		13.8	13.3	2.1		12.8		13.6
Industry medians		16.5	16.6	0.6		11.9	11.9	1.5		13.6		12.7
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
D–P: deficit to profit; not ranked.

There's plenty of growth in the supermarket industry these days, and very little of it comes from food price inflation.



Supermarkets

By Jonathan Greenberg

A FAMILIAR PATTERN shows up with such regularity in the $90 billion supermarket industry that for years the major players almost took it for granted: As recession slows inflation and shaves margins (that at 1% in the best of times are already among the lowest in any business), supermarkets go after each other's market share to try to compensate. The result: destructive price wars in which everybody loses.

Are the supermarkets finally achieving some self-discipline? The fact is, price wars haven't yet broken out—this time around. Despite the fact that food price inflation has been lower than general inflation for months—3% to 4%—most of the supermarket companies have managed to restrain themselves. As a result, most had fairly robust growth in 1982 and are looking forward to a decent 1983. "It used to be that the way competition would react was not very predictable," explains Lyle Everingham, CEO of $11 billion (sales) Kroger, the nation's second-largest supermarket chain. "Today we intend to defend the customer base we worked so hard to get, and this has an effect on the behavior of the more reckless competitors in the marketplace."

Which is not to suggest that competition has not been fierce. "There's been more heated price advertising in every area we operate in during the last year than there has been for the past five years," says Warren McCain, CEO of Albertson's, which operated primarily in the West and South. "But all the retailers are a little smarter now, and I guess none of them can afford the price wars of the past."

Instead, competition takes such forms as skirmishes over coupon redemption—offers to double the value of a consumer's coupon, for example. Of course, that comes out of earnings eventually, just like a price cut. So why are earnings holding up? One answer is economies of scale. Another is upscale segmented marketing.

For many chains like Albertson's and Supermarkets General a new "one-stop" combination store is about the size of a football field. And those stores house—in addition to the standard items—baked goods, deli products, flowers and drugs. Kroger's Everingham says these convenience-oriented "special-interest" departments are especially popular among singles, the elderly and smaller families where both parents work. With Kroger's gross sales of specialty items growing at twice the rate of groceries, and gross margins at deli counters 45% higher than for staple groceries, it's easy to see why Kroger included them in all of the 100 new stores it opened this year. As for size, in 1972 Kroger's 1,365 stores contained 25 million square feet of floor space. In 1982 it had 124 fewer stores but 12 million more square feet of floor space.

Plenty of floor space also allows supermarkets to cater to price-conscious shoppers as well as to the gourmet. At a time when many are trading down for more basic nonspecialty foods, private-label—the chain's own brand—is increasingly popular. In a recent survey, *Progressive Grocer* magazine found that three times as many supermarket merchandisers expect many consumers to continue their trade down to cheaper foods in 1983. Private-label, upscale luxury and prepared foods mean margins. The cavernous, 60,000-square-foot modern supermarket has room for both.

Kroger's is not the only chain closing unprofitable stores. Safeway closed its Omaha division and American Stores closed supermarkets in the Washington, D.C. area. Many of the stores closed have been in unprofitable locations or of uneconomic size. In addition, in a period of high unemployment, concessions in work rules and wages from unions have allowed the supermarkets to remain competitive with nonunion fast food restaurants. Even quick-stop operations like Southland's 7-Elevens are withstanding the recession. With a revenue gain of 20% for the first nine months of 1982, while earnings rose 16%, Southland's 7,000-plus 7-Eleven stores are proving that higher-priced convenience still means a lot. It means a lot to the supermarkets, too; to combat Southland's seven-day-a-week schedules, a number of its supermarket competitors have convinced unions to let members work Sundays for less than time and a half, compared to the double time they used to demand. "For the first time in 15 years there has been a swing away from unions and back to management," says Dean Witter analyst Terence McEvoy. "With 10% unemployment, unions tend not to strike, so the companies have taken a hard line and have started to get some significant work rule changes and productivity gains."

Government deregulation of trucking has also helped. Now that trucks can backhaul, supermarkets don't pay for empty loads half the time. At Kroger this means that, despite an escalation in drivers' hourly wages, delivery costs as a percentage of sales decreased in 1982.

Technology, too, will ultimately help. Optical scanners now reign at the checkout counter in about 6,500, or 23%, of supermarkets nationwide, and 1982 was the biggest year for new scanner installations to date. Scanning doesn't only allow products to be checked out more quickly; the process also lets stores analyze inventory, shelf-space allocation and the effects of various promotional campaigns. At Albertson's, some 55 of 412 supermarkets are scanning now, and 50 more will get scanners in the current year. CEO McCain says, "It's the right way to go."

The supermarkets' future prospects look so bright, in fact, that Value Line recently ranked the industry second of 92 for expected relative stock performance this year. But what happens if further deflation makes those price wars of the past harder to resist? Is the day of the one-cent milk special really over? So far, the industry has shown an unaccustomed discipline. But all it takes is for a few to succumb to temptation and history could start repeating itself. ■

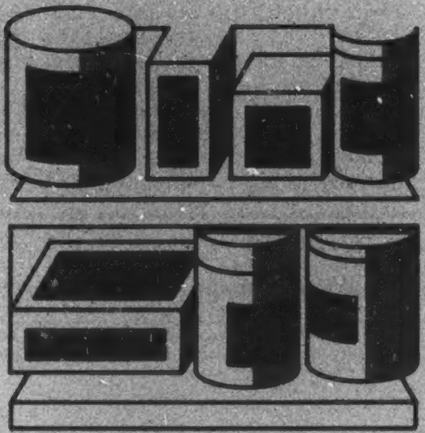
Supermarkets

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Major chains												
Albertson's	1	24.3%	22.8%	0.9	4	14.1%	14.2%	1.5%	3	18.7%	3	20.3%
Dillon Cos	2	23.7	25.6	0.5	2	16.7	17.1	1.8	4	17.3	7	14.3
Lucky Stores	3	23.1	16.5	0.8	5	14.0	10.7	1.1	5	15.5	10	9.9
American Stores	4	21.8	23.1	0.9	3	15.4	12.2	1.1	1	51.6	2	21.9
Supermarkets General	5	21.8	22.0	1.1	7	11.4	12.9	1.2	8	11.0	1	25.2
Winn-Dixie Stores	6	20.6	20.3	0.2	1	17.5	17.7	1.5	6	13.4	8	11.5
Kroger	7	17.0	18.4	0.6	6	11.6	11.3	1.2	7	13.1	4	18.8
Southland	8	16.8	16.9	0.9	9	10.1	10.9	1.6	2	20.5	6	15.6
Jewel Cos	9	16.4	18.2	0.6	8	10.3	11.3	1.7	10	9.7	5	16.1
Stop & Shop Cos	10	15.1	20.1	1.1	10	9.1	12.3	1.4	11	8.3	9	10.9
Safeway Stores	11	13.6	13.0	1.1	11	8.9	8.4	0.8	9	10.2	11	4.9
Great Atl & Pac Tea	12	def	0.5	1.0	12	def	2.9	0.0	12	–1.2	12	D–D
Medians		18.8	19.3	0.9		11.5	11.8	1.3		13.3		15.0
Regional chains												
Food Town Stores	1	33.9%	26.5%	0.1	1	27.0%	22.4%	2.4%	1	32.3%	3	32.5%
Natl Convenience Stores	2	27.3	24.2	1.4	4	14.6	12.7	2.0	5	19.2	7	26.6
Big V Supermarkets	3	25.7	23.4	0.5	3	16.9	16.7	1.4	3	20.2	5	28.5
Cullum Companies	4	21.4	16.9	1.0	6	12.1	10.2	1.1	10	14.2	6	28.4
Weis Markets	5	20.8	19.8	0.0	2	20.8	19.9	5.3	14	13.1	10	16.4
Niagara Frontier Services	6	19.6	14.1	0.8	5	13.3	10.3	1.3	7	17.5	14	11.7
Giant Food	7	18.8	26.7	0.9	7	11.5	15.3	2.0	16	12.3	8	18.2
Hannaford Bros	7	18.8	21.9	1.2	12	10.4	12.2	1.4	18	11.7	13	13.6
Marsh Supermarkets	9	18.3	16.9	1.2	14	10.2	9.4	1.1	19	11.5	9	16.6
Seaway Food Town	10	17.3	12.2	0.9	10	11.0	8.1	0.9	13	13.3	11	16.1
[illegible]	11	16.7	21.3	1.0	8	11.1	12.7	2.0	9	15.5	15	11.4
Waldbaum	12	15.1	17.8	0.9	15	10.0	11.6	1.1	12	13.4	12	14.9
Ruddick	13	14.8	14.2	0.6	13	10.3	10.2	1.7	18	12.7	4	30.2
First Natl Supermkts	14	14.7	17.1	1.8	11	10.4	10.7	0.5	2	30.5	16	8.2
Circle K	15	13.8	def	0.9	17	9.7	def	def	6	18.9	20	8.5
Thriftimart	16	13.1	8.0	0.2	9	11.0	7.2	0.9	22	7.2	1	57.0
Godfrey	17	13.0	9.9	0.9	18	9.2	7.6	0.5	17	11.9	18	6.9
Penn Traffic	18	12.7	9.8	0.5	16	9.9	7.8	1.1	8	16.3	19	5.5
Pueblo International	19	11.8	11.5	1.0	19	8.2	8.5	0.9	27	–6.0		D–P
Fisher Foods	20	11.3	6.3	0.6	21	7.4	7.7	0.8	25	0.3	22	–2.2
Arden Group	21	9.8	10.1	1.2	22	6.8	7.3	0.6	26	1.7		D–P
King Kullen Grocery	22	8.4	9.4	0.0	20	8.0	8.9	0.6	11	13.6	17	7.3
Munford	23	8.0	19.9	0.8	23	5.6	10.6	2.1	24	2.7	21	0.9
Shopwell	24	7.8	12.9	1.5	24	5.6	7.5	0.5	21	9.3		D–P
Foodarama Supermkts	25	3.4	4.5	0.7	25	4.7	5.5	0.2	23	5.4	24	–17.1
Borman's	26	3.3	11.3	1.0	26	4.0	8.4	0.4	20	10.7	23	–4.4
Allied Supermarkets	27	def	15.6	0.2	27	def	12.7	0.8	29	–8.7	26	D–D
Pantry Pride	28	def	NE	2.2	28	def	6.8	0.8	28	–8.7	25	P–D
Bruno's		**	36.2	0.4		**	24.8	2.3	4	19.9‡‡	2	34.2‡‡
Medians		14.7	14.2	0.9		10.1	10.2	1.1		13.7		12.7
Industry medians		16.4	16.9	0.9		10.3	10.7	1.1		13.1		14.0
All-industry medians		13.9	11.7	0.6		11.4	9.3	3.4		13.5		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡‡Three-year growth. P–D: profit to deficit. D-D:deficit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked. NE: Negative equity.

Downsizing isn't confined just to the smokestack industries. Consider the retailing business, where the scramble to open new stores may be over for a while.



General retailers

By Richard Greene

RETAILERS AROUND the country are finally learning a lesson that Dayton-Hudson and a few of the leading chains have known for years: The mad scramble to put up new stores is not only expensive but also dangerous. Nearly every major chain has cut back or even done a complete turnabout. J.C. Penney, for example, has 20 fewer stores than last year. Even K mart has cut down; only 70 or so new K marts opened in 1982, compared with 171 in 1981 and 199 the year before.

What's more, some chains are also cutting back on new-store size. Says Howard Hassler, senior vice president of New York-based Allied Stores, "In the early 1970s we were building branch stores up to 200,000 square feet. Now, they're half that."

What's going on? Some of the downsizing is clearly from the recession. But many retailers say it goes deeper—a major trend away from maximizing sales and toward maximizing return on investment. That's hardly a new idea in many industries, but a bit startling in retailing.

Dayton-Hudson, of course, has held these views for some time. "Return on investment is ingrained in all our systems," says chief financial officer Tony Shull. "In the department stores of old, few people looked at the whole balance sheet—at credit sales, receivables, lease obligations. We forced our managers to look at these things. If they want to put more inventory on the shelves, for example, that's going to impact the return on investment for a store." Senior management pays attention because D-H's bonuses are largely based on ROI.

Part of retailing's new view is realizing that leasing commitments are real commitments. "Until recently, retailers could expand with leasehold commitments," says Saul Reibstein, a partner and retailing consultant for accounting firm Laventhol & Horwath. "They could utilize a great deal

General retailers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Department stores												
Dayton-Hudson	1	23.3%	15.4%	0.4	1	17.9%	12.4%	3.4%	2	19.0%	1	20.8%
R H Macy	2	18.8	19.6	0.3	2	13.1	14.4	4.7	5	12.0	1	20.8
Mercantile Stores	3	15.4	16.3	0.3	3	12.2	13.0	4.7	4	12.4	3	13.0
Federated Dept Stores	4	13.9	11.1	0.3	4	11.7	9.2	3.0	7	10.6	7	7.9
May Dept Stores	5	13.8	13.5	0.5	6	9.6	9.4	3.7	10	9.9	5	8.4
[illegible] Dept Stores	6	12.3	[illegible]	1.0	11	7.0	[illegible]	2.2	1	19.7	4	10.4
Allied Stores	7	12.2	9.8	0.8	8	8.8	6.7	2.5	12	7.6	8	7.0
J C Penney	8	12.0	13.6	0.5	5	9.8	10.4	3.4	11	8.2	9	8.9
Carson Pirie Scott	9	10.7	5.0	1.0	10	8.2	6.2	1.1	6	11.4	10	5.7
Carter Hawley Hale	10	10.2	5.7	0.9	13	6.7	4.5	1.2	3	15.6	13	–0.5
Strawbridge & Clothier	11	10.1	7.8	0.8	12	7.8	6.3	2.5	8	10.1	6	8.0
Sears Roebuck	12	9.8	9.0	0.6	7	8.8	7.6	2.4	13	7.4	12	1.9
Associated Dry Goods	13	9.2	9.6	0.5	9	8.4	7.6	2.1	9	10.0	11	2.6
Alexander's	14	1.2	5.7	1.3	14	2.5	4.5	0.6	14	6.3	14	–27.4
[illegible]		[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]		[illegible]		[illegible]

Note: Explanation of Yardsticks calculations on page 50.

of off balance sheet accounting. Now, that's no longer possible."

Why? Partially because of the Financial Accounting Standards Board's decision in 1977 that companies must capitalize and depreciate long-term leases. "They couldn't handle the leases off balance sheet anymore," says Reibstein, "so they had to look to existing space for more of their growth."

It's a little like the energy crisis. Once you realize something is a finite resource, you start planning ahead. In the same way, retailers can't simply assume that new, profitable markets will spring up as needed. So they are planning ahead, too. "If you asked a retailer, 'How's business?' in the past," says David Schwartz, a retailing consultant for accounting firm Arthur Andersen, "he'd say, 'It was off a bit yesterday.' They were planning for one season, six months out at the most—not even a full year out. Now they're lengthening their horizons. It didn't used to make much difference; now it does."

What that means is much more attention to operations. Computers, for example. Everybody has them, but some retailers are just now awakening to what computers can do outside of billing and payroll. Computerized inventory control is only the beginning, says Schwartz; the computer can also identify fast sellers for timely reordering and slow sellers for timely markdowns. "The first markdown is always the cheapest markdown," he says. Computers also help retailers transfer goods between stores when there is a different rate of sale.

Dayton-Hudson's Shull
The goal is to maximize return.

J.C. Penney, for example, now has point-of-sale computer terminals in 961 stores, and by 1985 plans to have them in all 1,662. Penney Chairman Donald Seibert says the leaders of the industry in the 1980s will be "the ones which capitalize on the advantages of technology."

Getting more return from each store also can mean cutting back on personnel—admittedly, a risky game. Says Allied's Hassler: "The complaint you hear most about department stores is that the shopper can't get help." It's a delicate balance, says Reibstein, but in many large chains "the number of employees is significantly less than it was three years ago." Even Hassler has been able to cut some 3,000 employees from his 55,000 work force in the last year, in part by paying attention to where they are really needed. "More women are working now, so they have less time to shop," says Hassler. "Instead of being busy on weekdays, you do more business on Friday nights, Saturdays and, for stores that are open, Sundays. So that's when you want salespeople in the stores."

But what happens when times turn good again? Will retailers abandon all these commendable practices and rush out to expand pell-mell?

Says Philip Hawley, chief executive officer of Carter Hawley Hale, "You'll see more willingness, of course, to open more outlets. But this recession has been long enough and deep enough that I don't think there'll be as much additional building as there has been after past recessions. Anyone who looks at the numbers will see that there is no need for more retail square-footage in many markets. So, there may be more building, but it will be in targeted markets. People just aren't going to look only to bricks and mortar for growth anymore." ■

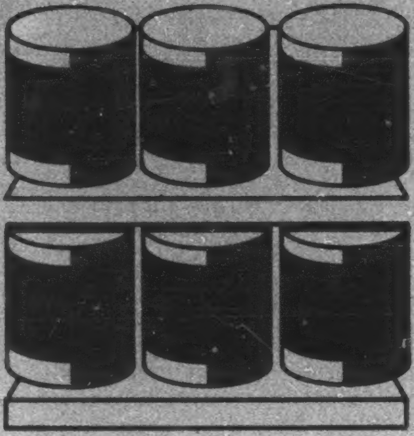
General retailers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Discount & variety stores												
Wal-Mart Stores	1	31.2%	30.1%	0.8	1	20.4%	18.8%	3.3%	1	37.4%	1	33.4%
SCOA Industries	2	29.3	22.3	0.9	2	17.7	14.3	3.0	5	12.9	2	29.3
Heck's	3	17.8	14.0	0.9	3	12.4	9.6	3.5	2	20.1	5	16.5
K mart	4	13.5	8.5	0.9	5	9.6	6.7	1.2	3	15.3	6	6.1
Household Intl	5	12.3	8.9	2.1	8	6.7	5.6	1.8	4	14.6	7	4.4
Zayre	6	11.9	13.8	1.2	6	8.2	9.3	1.4	8	8.4	3	19.8
Rose's Stores	7	11.5	10.3	0.2	4	10.2	9.4	1.5	11	6.6	4	18.6
HRT Industries	8	11.2	0.4	1.8	7	6.8	3.7	0.1	7	11.4		D-P
G C Murphy	9	4.6	3.4	0.5	9	4.3	3.6	0.5	10	6.9	8	−10.0
F W Woolworth	10	3.4	def	0.6	11	3.6	def	def	9	7.3	9	−19.4
Cook United	11	def	def	1.9	10	3.7	0.4	def	12	3.4	11	D-D
[illegible] Industries	12	def	def	1.7	12	def	def	def	6	12.9	10	P-D
Medians		**11.7**	**8.7**	**0.9**		**7.5**	**6.2**	**1.3**		**12.2**		**6.1**
[illegible]		[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	1.3		[illegible]		7.8
All-industry medians		**15.9**	**12.7**	**0.4**		**11.0**	**9.3**	**3.4**		**13.3**		**12.3**

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked def: deficit.

The good news for fast food chains is that inflation, in both food and labor costs, is slowing down. The bad news: So is volume.



Specialty retailers

By Richard Greene

BACK IN THE EARLY SUMMER of 1981, the restaurant chain stocks were doing far better than the market as a whole. But in the months that followed, their prices plunged an average of 20%. That downward slide, however, didn't last long. By late last year restaurant chain stocks were at an alltime high, according to the Prudential-Bache index of restaurant stocks. Wendy's, for example, was selling at 15 times earnings, while McDonald's was at 12 and Denny's was at 14.

While such high ratios are out of line with the rest of the market, there's little doubt that this industry has a lot going for it.

It's true, of course, that many of the big restaurant chains have had difficulty keeping their unit volumes from declining. McDonald's has lost about 4% of its per-store volume each year for the last five years, according to Bache analyst Michael Culp. But even if fewer customers have been walking in the doors, there are two bright spots for the year to come, in areas that account for 50% or more of the food chains' cost: food and labor.

According to the Department of Agriculture, food prices will probably rise less in 1983 than in any

Specialty retailers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Drug chains												
American Stores	1	21.8%	23.1%	0.9	5	15.4%	12.2%	1.1%	1	51.6%	4	21.9%
Rite Aid	2	21.6	19.7	0.1	2	19.1	18.1	3.7	7	27.6	3	22.2
Revco D S	3	21.0	19.3	0.2	3	17.7	16.4	3.2	5	19.5	5	20.1
Pay Less Drug NW	4	20.5	18.7	1.0	7	13.5	10.8	2.2	2	23.2	6	17.6
Longs Drug Stores	5	20.1	17.4	0.0	1	20.0	16.9	2.9	8	16.4	10	13.2
Walgreen	6	19.6	22.0	0.3	6	14.4	17.4	2.8	11	7.8	1	23.2
Jack Eckerd	7	18.1	14.6	0.0	4	17.6	14.4	3.4	3	21.2	9	14.0
Nordstrom	8	17.9	16.1	0.7	8	12.8	11.1	4.2	4	20.1	7	16.7
Peoples Drug Stores	9	16.0	15.6	0.6	9	12.7	12.4	1.5	9	13.5	2	23.0
Thrifty Corp	10	15.0	15.4	0.8	10	10.9	11.1	1.6	10	11.6	8	16.1
Pay'n Save	11	13.8	8.8	1.3	11	10.2	6.4	1.3	6	18.6	11	6.3
Medians		19.6	17.4	0.6		14.4	12.4	2.8		18.6		17.6
Fast food chains												
Wendy's International	1	28.3%	20.8%	0.5	1	23.4%	14.7%	7.2%	1	53.1%	1	35.5%
McDonald's	2	23.3	21.5	0.7	2	18.4	13.2	11.0	4	16.0	3	20.0
Marriott	3	19.8	20.8	1.2	5	10.5	10.2	3.8	3	18.3	2	26.4
Denny's	4	18.9	18.2	1.1	3	10.8	11.0	3.9	2	20.5	4	13.4
Saga	5	14.1	21.3	0.5	4	10.6	14.8	1.9	5	15.8	5	8.7
Sambo's Restaurants	6	def	def	91.9	6	def	def	def	6	10.4	6	P-D
Medians		19.4	20.8	0.9		10.7	12.1	3.9		18.2		16.7

Note: Explanation of Yardsticks calculations on page 50.
P-D: profit to deficit. def: deficit.

year since the mid-1970s. (Bad luck for farmers, good luck for consumers.) Last year was pretty good, actually, with only about a 5% rise in food costs, compared with 6.5% for the Consumer Price Index as a whole. But this year should beat even that. Compare that with an increase in food costs of almost 11% in 1979. Especially good news is the fact that one food product expected to have a particularly small price increase is beef—a mainstay of the fast food menu.

On the labor front, there's equally good news. The minimum wage has been stable for a year, at $3.35, even as prices the fast food chains charge have been rising. Moreover, there's even a chance the minimum wage will be cut for teenagers in the coming summer. For the fast food chains, which have a significant percentage of their payroll in such young employees, that would mean even less pressure on margins.

McDonald's Restaurant

McDonald's, big-city style
Trying to get more customers.

Naturally, the proposal to cut the minimum wage, which came from a council of President Reagan's cabinet members, is running into considerable flak from the AFL/CIO, among others. But if unemployment remains at current high levels for a while, the possibility of a reduced minimum wage will increase.

You can put it this way: Disinflation is in the air and disinflation, if it doesn't get out of hand, can be a good thing for restaurants.

All that still leaves the problem of decreasing numbers of customers—market saturation. The chains are making intense efforts to pick up any market share they possibly can through games, contests and, most recently, combative advertising.

Is the market really saturated? In a recession, it certainly seems that way. But what happens in a turnaround? Says Randell Smith, a financial researcher for the accounting firm of Laventhol & Horwath, "Every time anyone looks at the industry, he talks about saturation. But when the recovery comes, you'll see a resurgence of people going into chains instead of eating at home. Now that they have their costs more in line, that should make for some pretty impressive earnings figures." ■

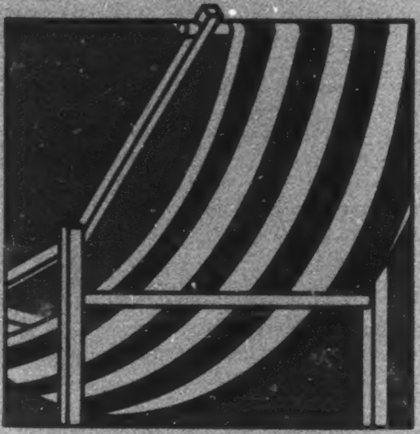
Specialty retailers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5 year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Other specialists												
Tandy	1	48.5%	33.9%	0.2	1	28.0%	28.7%	11.1%	5	20.5%	2	37.5%
Toys "R" Us	2	28.7	22.6	0.4	5	18.2	18.1	6.0	3	26.8‡‡	3	32.0‡‡
Avon Products	3	27.7	19.0	0.0	2	27.3	19.5	6.7	12	13.0	16	7.8
Melville	4	26.6	21.6	0.2	3	25.0	20.0	4.2	6	18.8	7	18.7
Petrie Stores	5	24.9	19.2	0.0	4	24.7	19.0	7.9	14	11.5	14	11.2
Service Merchandise	6	23.4	17.2	1.1	7	15.4	13.3	2.2	1	33.5	6	20.6
Edison Bros Stores	7	20.1	10.3	0.2	6	16.6	8.9	2.9	13	11.8	13	12.3
Payless Cashways	8	20.1	20.0	0.6	8	15.4	13.9	3.6	2	28.1	5	21.3
Best Products	9	17.4	8.7	1.2	13	10.6	6.7	1.4	4	24.7	12	13.2
Brown Group	10	16.8	17.2	0.2	9	13.7	14.4	4.2	16	9.5	8	17.8
Gordon Jewelry	11	15.7	10.9	0.5	10	13.2	9.4	4.4	8	17.7	9	15.7
Morse Shoe	12	14.2	4.9	0.5	11	12.5	4.9	1.3	11	13.9	11	13.3
Levitz Furniture	13	11.8	4.2	1.0	15	7.8	4.6	1.2	19	6.1	10	15.3
Zale	14	11.7	1.1	0.3	12	10.6	2.3	0.5	17	7.5	15	9.2
ARA Services	15	11.5	7.8	0.4	14	8.9	6.6	1.4	10	14.4	17	4.6
General Host	16	11.0	15.2	1.6	16	7.3	9.1	2.1	20	–3.4	1	47.6
Pittston	17	7.8	7.7	0.2	17	6.6	6.4	2.1	15	9.8	19	–15.0
Beneficial Corp	18	5.2	def	3.4	18	5.2	3.3	def	18	7.1	18	–14.2
Genesco	19	4.4	def	1.7	19	4.7	0.5	def	21	–6.4		D–P
Wickes Cos	20	def	def	2.4	20	def	def	def	7	18.4	20	P–D
Dillingham		**	8.3	0.3		**	7.0	1.8	9	15.4‡	4	28.3‡
Medians		16.3	10.3	0.4		12.9	8.9	2.1		13.9		14.3
Industry medians		18.1	16.7	0.6		13.2	11.1	2.5		17.0		[illegible]
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. ‡‡Three-year growth. P–D: profit to deficit. D–P: deficit to profit; not ranked.
def: deficit. **Not available; not ranked.

Nevada casinos are feeling the recession, to be sure, but they remain splendid cash cows. Atlantic City, meanwhile, keeps on growing.



Leisure

By John Merwin

In 1983 Atlantic City is likely to surge past Las Vegas in the win column, the equivalent of revenues in the casino business, to end the latter city's 25-year reign as gambling's crown jewel. For Atlantic City, it is a truly remarkable performance. Barring World War III or some other inconvenience that keeps people out of their cars, gamblers this year will probably leave nearly $2 billion in Atlantic City's nine casinos, perhaps $100 million more than will be dropped in Las Vegas. Despite its considerable shortcomings—scarce parking, humdrum casino-hotels and bombed-out urban surroundings—Atlantic City will continue cashing in on three big advantages: proximity, proximity and proximity. More than 50 million people reside within a day's drive of Atlantic City. That's three times the number within the same distance of Las Vegas.

More significant than the surging win-total itself is the fact that Atlantic City's gambling growth is real, not a statistical illusion. For a time doubters attributed Atlantic City's burgeoning win to increased floor footage, as one casino after another opened rapidly in 1980-81. But more than a year after the ninth and last casino opened—the Tropicana, on Thanksgiving Day, 1981—the win continues to swell. At two of Atlantic City's leading casinos, Golden Nugget and Harrah's, some slot machine and table-game wins today equal those recorded at Resorts International back in 1978, when Resorts was the only casino in town.

Expenses are high in Atlantic City compared with Las Vegas, leading some casino executives to poormouth the 15% or so pretax margins. "Drug companies do better than that," says Resorts Executive Vice President Steve Norton. But look at the return on investment for some of Atlantic City's properties. Resorts' $110 million is returning about 35% annually, pretax. Caesars gets back nearly 30% on its $110 million, while Golden Nugget and Harrah's are returning nearly 25% on about $150 million. By contrast, Las Vegas returns lately have run closer to 10%.

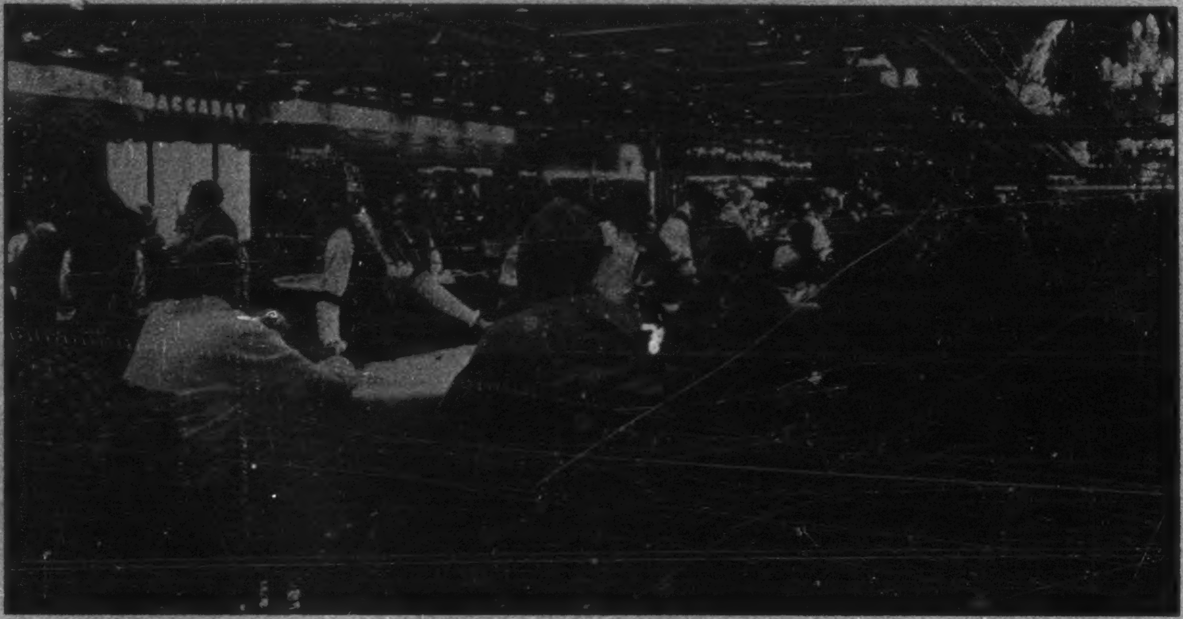
Reasons for this high growth? When Resorts opened in Atlantic City, only a tiny portion of Easterners indulged in casino gambling. Each month that percentage of the 50 million-plus population grew larger, along with the month-to-month win figures, as tides of bus-riding gamblers flowed in each day. At the high-roller

Leisure

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Hotels and gambling												
Resorts Intl	1	40.3%	14.8%	0.7	1	30.8%	10.4%	8.8	1	46.2%	2	80.2%
Hilton Hotels	2	25.5	17.6	0.2	2	18.6	14.2	15.6	7	8.2	3	29.1
MGM Grand Hotels	3	22.3	12.0	1.1	3	11.3††	8.2	6.3	4	13.7‡	6	11.3‡
Caesars World	4	[illegible]	0.6	1.3	6	9.8	4.2	0.1	2	29.3	1	91.8
Marriott	5	19.6	20.8	1.2	4	10.5	10.2	[illegible]	3	[illegible]	[illegible]	[illegible]
Holiday Inns	6	12.6	8.3	0.8	5	10.2	7.7	5.2	6	[illegible]	5	12.4
Del E Webb	7	5.8	def	1.1	7	8.0	4.0	def	8	6.0	7	-3.8
Ramada Inns	8	0.6	def	2.9	8	3.3	0.9	def	[illegible]	11.5	8	-47.7
Medians		20.9	10.2	1.1		10.4	8.0	4.5		12.6		19.4

Note: Explanation of Yardsticks calculations on page 50.
††Three-year average. ‡Four-year growth. def: deficit.



Blackjack tables in Atlantic City
Expenses may be high, but returns on investment are surprising even optimists.

end, eastern gamblers who once flew first class to Las Vegas are driving instead to Atlantic City, risking perhaps $2,000 a day instead of $10,000 a day at Las Vegas. "For gambling $2,000 a day in Atlantic City, you can be treated like a king," says Steve Hyde, president of Greate Bay Casino Corp., owner of Atlantic City's Sands Hotel.

"The key to success in Atlantic City," explains Hyde, "is moving 7,500 to 15,000 patrons through your place every day. Without them you won't pick up the slot win—about 50% of the win here—and that's your base. The whole concept is volume." To draw that volume, Hyde says, a casino has to go after particular markets. "We went after Philadelphia," Hyde says. "We used saturation mailings, plus Philadelphia prize fighters and Philadelphia-oriented entertainment." Result: Atlantic City's most impressive turnaround. The Sands in just one year went from a big loser to one of the city's top properties.

Not everyone in Atlantic City is in the chips. Bally and Ramada's Tropicana each managed to spend more than $300 million on their developments. Though both casinos may eventually do well, they aren't likely to score the gilded returns of less expensive properties. Caesars' president, Terry Lanni, figures $30 million of interest charges is about all an Atlantic City property can carry these days and still show superb returns. That suggests a capital-investment limit of about $150 million to $200 million. Lanni, who hopes to start construction on a second Caesars Atlantic City hotel later this year, presumably has such a limit in mind.

Caesars isn't alone in planning to expand in Atlantic City. Harrah's, a Holiday Inns subsidiary, already has a new Boardwalk hotel under construction, and both Resorts and Golden Nugget are looking at second sites now. Hilton, a major Las Vegas player, is dusting off its Atlantic City plans.

The market seems able to take it, and so does the peculiar labor market of casinos, where state regulators must license all personnel in the casinos. Thus, even if several hotels do open in 1984-85, there shouldn't be the madcap bidding war for licensed employees that occurred in 1980-81, slashing profits sharply; today there is a surplus.

The only remaining test of Atlantic City's staying power is occurring right now, in the winter of 1983. In previous winters most casinos there either lost money or barely turned a profit, in part because of their inability to adjust to slow wintertime volume. Now casinos such as the Golden Nugget are running revenue figures through a computer each payroll period which, in turn, spews out staffing suggestions for the next period. If Atlantic City can successfully overcome the winter doldrums this year, there won't be much left for skeptics to fret over. Says a confident Steve Wynn, chairman of the Golden Nugget, "Seasonality will become less and less of a factor here. Cold doesn't make much difference, just snow," Wynn says. "Remember, gambling isn't an outdoor sport."

For the first time in years Las Vegas is feeling a recession, which has drawn a lot of the-party's-over-type headlines. The traditional 15%-a-year growth has ended in the desert kingdom. Growth in the win figure in recent months has sagged to about 5%. Nevertheless, that's a lot better than most American industries.

Las Vegas' days as gambling's biggest winner may be numbered, but last rites shouldn't be read just yet. Casinos are splendid cash cows. Example: Last year, even though Caesars World reported its worst continuing operation income in years, $9.6 million, it had a $44 million cash flow from its Nevada and New Jersey hotels. MGM's net fell under $20 million, but cash flow, boosted by $22 million in fire-related tax benefits, reached nearly $65 million.

Consider, too, that although Las Vegas and Reno have been hammered by the worst recession since the Thirties, the Nevada casinos have managed to hold their own despite Atlantic City. Before Atlantic City opened in late 1978, Nevada casinos were winning $2 billion a year. Today they are winning about $2.7 billion. After three years Atlantic City casinos are taking in $1.5 billion. In total, that's a market expansion from $2 billion to $4.2 billion in only four years.

If nothing else, the recession should instill some self-discipline in Las Vegas operators. For years they have been throwing up rooms, relying on 15%-a-year growth to fill them. Now, says the Nugget's Steve Wynn, "this recession is going to make conservative guys out of a lot of swingers."

A clear case of overexpansion can be found at Caesars Palace, once among the most profitable casino-hotels on The Strip. Caesars has the same number of visitors it had a year ago, but on average each is playing less, particularly the wealthy Mexicans once so prominent among high rollers there. "I'd be happier to have a 25,000-square-foot casino today," says Caesars' President Terry Lanni, "and 1,200 rooms." Instead he has a 60,000-square-foot casino and 1,700 rooms, with all the attendant costs.

Las Vegas visitor counts are off only about 1% through 1981-82. But because of sizable hotel expansion, occupancy rates were down sharply last spring and summer, to about 77%, from 83% the previous year. Several years ago occupancy rates among The Strip's best hotels topped 90%. So even though Las Vegas business isn't bad by recession standards, its failure to be excellent is likely to cause casino turnover this year among those who figured a high growth rate in projecting new room construction.

If Las Vegas has a cheerleader these days, it is MGM Grand Chairman Al Benedict, who presides over 2,800 rooms in Las Vegas and 2,000 in Reno, plus jumbo casinos in both places. In the last decade MGM has invested $442 million in Nevada properties. Last year the company turned in a profit of only $33 million, pretax, and a cash flow of $65 million on $317 million in revenues.

That pales beside some of the returns in Atlantic City, but Benedict insists Nevada is the place for MGM. "I've lived in this industry for 30 years," he says. "We went through this in the late Fifties and early Sixties. We had hotel failures similar to what we're having today at some of the smaller places. But our bookings for January, February and March are up a little over last year. We're very high on Nevada."

Benedict had better be. He says he has no current plans to build on MGM's land in Atlantic City, citing the high cost of "buying the business there"—bringing in gamblers by bus. MGM also owns land in Massachusetts, but Benedict's optimism about casino gambling's being legalized there has faded. Benedict says he hopes MGM's liability suits, remaining from the hotel's 1980 fire, will soon be settled, freeing the company from fiscal restraints. Given Benedict's lack of interest in Atlantic City, what will that freedom bring? When Nevada's gaming revenues rebound, MGM will use more of its cash flow to accelerate a long-term stock buyback plan. That's hardly as exciting as building a $200 million Atlantic City hotel, but in time it might serve the shareholders well, as Las Vegas moves from star to supporting role. ■

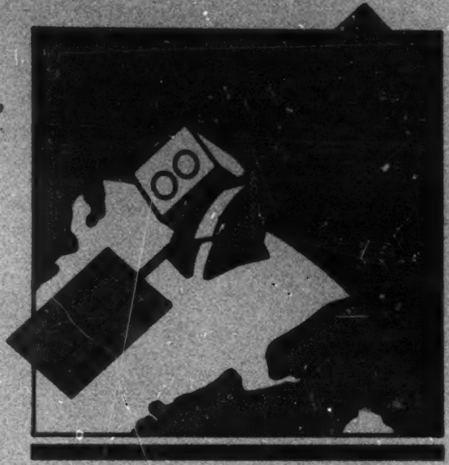
Leisure

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Entertainment												
Warner Communications	1	29.3%	25.0%	0.2	1	21.5%	22.0%	7.6%	2	25.6%	1	32.5%
General Cinema	2	22.6	25.7	0.8	3	14.0	15.4	5.8	3	16.4	2	19.8
MCA	3	17.5	16.2	0.0	2	16.0	15.6	10.2	4	12.9	4	11.1
MGM/UA Entertainment	4	14.5††	9.8	2.3	4	11.6††	6.9	3.4	1	27.3‡	5	6.1‡
Walt Disney	5	11.9	8.4	0.1	5	10.9	8.0	9.7	5	12.0	3	12.3
Medians		17.5	16.2	0.2		14.0	15.4	7.6		16.4		12.3
Recreation												
Tandy	1	48.5%	33.9%	0.2	1	28.0%	28.7%	11.1%	3	20.5%	1	37.5%
Bally Manufacturing	2	25.7	23.1	0.4	2	19.4	19.3	8.1	1	31.4	2	33.2
Brunswick	3	23.1	72.4	0.5	6	13.0	30.9	23.0	10	6.5	4	21.7
Eastman Kodak	4	20.0	16.3	0.0	3	18.9	15.4	10.7	6	12.7	7	11.1
Milton Bradley	5	17.6	10.2	0.1	5	14.9	9.6	5.3	4	15.4	5	18.7
Mattel	6	17.2	29.9	0.6	4	15.7	20.7	5.5	2	21.8	3	25.0
American Greetings	7	15.0	15.2	0.6	7	11.4	10.5	5.3	5	14.7	6	13.0
AMF	8	10.8	7.5	0.4	10	8.2	6.2	2.9	11	4.8	10	0.3
Fleetwood Enterprises	9	9.9	14.7	0.0	8	9.9	14.6	2.4	8	9.9	8	1.6
Skyline	10	9.3	5.5	0.0	9	9.3	5.5	2.4	12	3.7	9	0.4
Outboard Marine	11	7.6	11.2	0.4	12	6.6	9.0	4.4	9	6.8	12	-3.2
Polaroid	12	6.8	3.4	0.1	11	7.0	2.7	2.4	7	10.3	11	-0.7
Medians		16.1	15.0	0.3		12.2	12.6	5.3		11.5		12.1
Industry medians		17.5	14.7	[illegible]		11.4	10.2	5.1		11.9		12.4
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
††Three-year average. ‡Four-year growth.

The more AT&T looks at its divestiture agreement, says one well-placed observer, the more unfavorable it appears. For competitors, of course, it's the chance of a lifetime.



Telecommunications

By Jean A. Briggs

A THREE-TO-FOUR YEAR window of opportunity . . . the kind of thing that could happen only once in a lifetime." That's how Amy Newmark, C.J. Lawrence's astute telecommunications analyst, assesses the industry situation with the breakup of AT&T now in progress. As the giant company proceeds to restructure itself and to decide which markets it wants to emphasize, which to deemphasize, smaller rivals are moving quickly into markets once beyond them. Their challenge is to get big enough fast enough to assure their long-term success before AT&T can respond.

This race against time is the reason behind a good many of the acquisitions and joint ventures in telecommunications of late. Examples: E.F. Johnson, a manufacturer of cellular radio equipment, being acquired by Western Union; Mitel joint-venturing with both IBM and Scientific-Atlanta; Northern Telecom joining forces with Sperry Corp. and also General Electric. "There seems to be a realization throughout the industry that in the future you are going to have to be either a large, financially strong company or a small, highly specialized one to survive," says Newmark. Other companies are sacrificing profits in the short run for market share, Newmark adds. Rolm, for example, is less profitable than it might be because it is building share in the PBX market. GTE is living with losses at Telenet, its packet-switching subsidiary, for the same reason. The new AT&T is free to get into these fields, and the idea is to become as entrenched in the market as possible before, or if, it chooses to do so.

No one can know for sure, of course, how the market will actually shake out, but plenty of people already are placing their bets. In some areas AT&T is a certain loser. "The more the company looks at the agreement, the more unfavorable it appears," says Kenneth Bosomworth, president of International Resource Development, Inc., a market research firm. Once the operating companies have been spun off to shareholders, the company will be left with its Long Lines division, which has 96% of the interstate long-distance market, with Western Electric, which provides

Telecommunications

Yardsticks of management performance

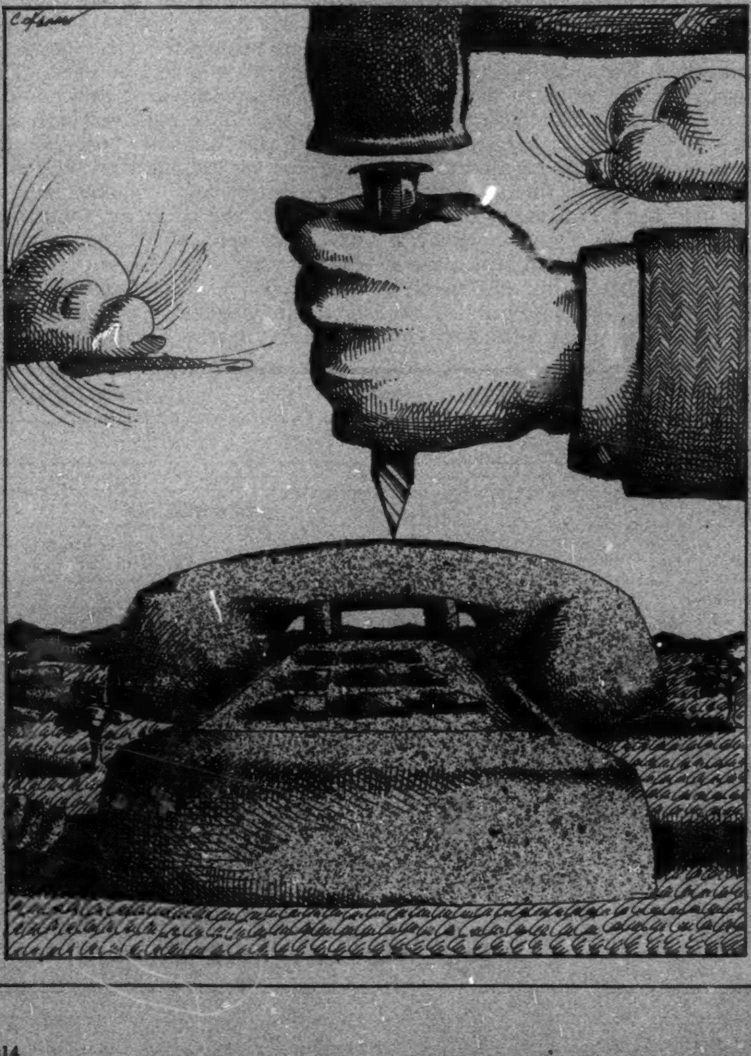
	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
MCI Communications	1	29.4%†	56.2%	1.6	1	15.8%	22.6%	17.9%	1	58.4%‡		D-P‡
Centel	2	18.0	17.5	0.9	3	7.9	7.7	9.8	2	18.2	1	8.9%
United Telecom	3	17.7	13.5	0.9	2	8.1	6.9	8.0	4	14.4	3	8.0
Continental Telecom	4	14.7	14.7	1.0	5	7.6	7.5	8.3	3	16.1	5	6.9
GTE	5	14.3	15.1	1.0	6	7.4	7.8	6.6	7	10.7	6	6.0
American Tel & Tel	6	13.1	12.9	0.7	4	7.6	7.3	11.6	6	11.8	4	7.7
So New England Tel	7	12.7	12.2	0.6	7	7.2	6.9	9.0	5	12.1	2	8.5
Western Union	8	5.7	9.9	0.8	8	5.7	7.6	7.9	8	7.4	7	4.0
Industry medians		14.5	14.1	0.9		7.6	7.6	8.7		13.3		7.7
All-industry medians		15.9	12.3	0.4		11.6	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. ‡Four-year growth. D-P: deficit to profit; not ranked.

equipment for 30% of the business market and 70% of the residential market with highly regarded Bell Labs and with American Bell, its new, unregulated subsidiary.

The AT&T division most vulnerable, clearly, is Western Electric. The company traditionally has supplied transmission and switching equipment to the operating companies. Now, these once-captive customers will be free to choose whatever equipment they want. "There's no doubt they'll be shopping around, looking at what such rivals as Northern Telecom, L.M. Ericsson and Phillips have to offer," says Bosomworth. "There's only one direction Western Electric's share of this market can go, and that is down."

Western Electric's position in so-called customer premises equipment—telephones, PBXs and key systems—is likely to erode, too. The company has been losing market share in this area since the 1968 Carterphone decision, which allowed non-Bell equipment to be attached to the phone lines. More market share losses followed a 1976 decision, which said that rival equipment would not blow up the phone system, thereby refuting Bell's contention that interface devices were essential. According to Steven Chrust, telecommunications analyst at Sanford C. Bernstein, Western Electric's share of the business market for telephone equipment dropped from 75% to 30% in about eight years.



The list of Western Electric's competitors in this market is still expanding. In addition to old rivals Rolm and Mitel and Harris—the interconnect companies, still there and feistier than ever—there will now be the local operating companies, Ma Bell's own children, so to speak, raising a hand against their parent. They won't be manufacturing equipment, but they will be allowed to market it to customers. They can choose to offer equipment made by Western Electric or that made by anyone else. Despite the fact that AT&T's American Bell subsidiary will be selling Western Electric gear, Western Electric will be hard pressed to maintain the market share it has left.

No Bell competitor is strong in all market segments. Mitel, for example, dominates the small PBX market, while Northern Telecom is powerful in the large PBX market. Anaconda Ericsson rates high in the hotel/motel market. "If I were head of a local operating company and a customer needed a small PBX, I wouldn't hesitate to sell Mitel equipment," says Bosomworth by way of illustration. "If he wanted a hotel/motel system, I would feel perfectly comfortable selling Anaconda Ericsson."

Nor do all market segments show the same promise. Dramatic growth is probably over in the business market for customer premises equipment. It grew between 20% and 25% a year from 1975 to 1981, according to Chrust, but he foresees a more moderate rate of growth, only 8% to 10% a year, through 1987.

The residential market, in contrast, is likely to take off. Competitors are already positioning themselves. Mitel, for example, has a product that provides home or apartment dwellers with many of the features once available only in offices—automatic redialing, for example. Rolm and Anaconda Ericsson are keenly interested in this market. The Bell operating companies will try to sell customers what's already out there in order to get their money back, but customers are likely to realize fairly quickly that that equipment is obsolete. If they don't, the manufacturers will surely mount advertising campaigns to tell customers so. The upshot is this: Western Electric is bound to lose a sizable chunk of its 70% residential market share.

American Bell will now be able to sell Western Electric equipment to the independent phone companies who were encouraged to buy non-Bell equipment before. But it's not at all sure they will be eager customers. The company's digital equipment, according to some authorities, is by no means state of the art. When will it be? That remains a mystery. According to Bosomworth, the industry has been expecting Western Electric to unveil a new product line for over a year. "People are speculating," he says, "that something has gone wrong."

The only equipment market that may remain relatively immune from competitive pressures is that supplied by GTE's Automatic Electric. In theory any equipment maker, including American Bell, can go after GTE system telephone companies, but in practice it has always been a captive market and is likely to remain so.

The other segment of AT&T that seems a sure loser in the new environment is Long Lines. Until now long-distance customers have been automatically connected by Bell's Long Lines division, unless they dial some extra digits to get on MCI, Sprint or another of the discount carriers. But under the consent decree, Kenneth Bosomworth points out, local phone companies may not automatically or preferentially connect long-distance dialers to Long Lines. Callers will have to select a long distance service each time they dial.

How the process will work in the future has not yet been determined, but Bosomworth says there's a precedent that's very scary for AT&T and very bullish for MCI. In the international record (telex) market, long divided between ITT, RCA and Western Union International (now an MCI subsidiary), total market share was split on the basis of the preferences expressed by a few customers. Thus if 20% of customers chose ITT 45% of the time, RCA 45% of the time, and WUI 10% of the time, the entire market was divided 45-45-10 among the three. It seems unlikely such a formula would be applied to the long distance telephone market, but the possibility apparently exists. It could prove devastating for AT&T. At the same time it could send MCI stock over the moon.

Discounting the discounters

If your office is in a major city, you haven't *had* to use Ma Bell's facilities to call long distance for a long time now. All you had to do was subscribe and you could use the services of one of the discount common carriers, providing of course that the one you chose—MCI, Sprint or City Call—served the point you wished to call.

Now you have even more choices. A slew of outfits has sprung up recently offering deeper discounts, not only on Ma Bell's service but also on that provided by the discount carriers themselves. They're called resellers, and there may be as many as 300 of them. They sprang up like dandelions following a rain of FCC decisions.

Melvyn Goodman, executive vice president of Combined Network, which claims to be the second-largest reseller, with sales of $35 million, estimates there are about 35 companies actually doing business now (300 had originally applied). The largest reseller is Dallas-based U.S. Telephone Communications, which had sales last year of $120 million.

Goodman explains how resellers operate: Step one is to lease a line from a common carrier. Step two is to install a switch, and step three is to solicit subscribers. The point, of course, is to book the line as fully as possible. Subscribers are enticed with prices about 35% below Ma Bell's and 15% to 20% below Sprint's or MCI's. Resellers can offer those prices and still make money because they are leasing lines wholesale and reselling them retail and because they are willing to bill for smaller amounts of time. Combined Network, for example, bills in 6-second rather than 60-second intervals. That means if you talk for 4 minutes and 5 seconds, you'll be billed for 4.1 minutes, not 5 minutes.

The more areas a reseller serves, of course, the more useful its service to all subscribers, and so the race is on. Combined Network, for example, which got started less than two years ago with switches in Chicago, Cleveland and St. Louis, now has 17 locations. U.S. Telephone has 5.

The business does have its limits. It is, as Goodman points out, capital intensive: A 1,000-line switch costs about $1 million; a 4,000-line switch, $3 million. It also depends on the existence of underutilized capacity in the phone networks.

Long term, it also depends on how long regulators keep AT&T's long-distance rates high. If Washington should lower them because, say, of a redistribution of costs between the local and toll systems, the resellers' game must change. It will undoubtedly then become one of numbers rather than speed. After all, the more resellers there are, the louder their voice in the Capitol and the more likely they are to be protected. —J.A.B.

The long-distance market is also being affected by a July 1981 FCC decision that allows the resale of capacity on both private lines and WATS lines. About 35 so-called resellers have set up shop offering customers long-distance service between certain specified cities at prices not only lower than AT&T can offer but also lower than MCI and its imitators can offer. To the extent that resellers expand the market, of course, AT&T doesn't lose, but to the extent they spin off calls that would otherwise go over Long Lines' facilities, they hurt. Now even such companies as Westinghouse and General Electric, which have vast private networks, are considering getting into the resale business. AT&T's 96% market share can only fall.

Government decisions, of course, have not all been unfavorable to AT&T. The company is being allowed to go into the data processing industry for the first time, and it is planning a major attack on overseas telephone markets, where the growth potential is enormous.

It will also eventually begin to pay closer attention to the markets in which it is currently losing share. When it does, of course, it can bring considerable resources to bear on stemming those losses. The window of opportunity Amy Newmark talks about will surely close. ■

Ah, the year that leads up to leap year. It can be very good, but only if broadcasters finally get their costs under control.

Broadcasting

By Thomas O'Donnell

"FOR THE THREE commercial networks, Christmas comes every four years," says Robert Coen, senior vice president of McCann-Erickson, an ad agency. "And late this year is when it's next scheduled to arrive." Next June and July is when broadcasters, large and small, set commercial advertising rates through "upfront" buying for the 1983-84 season, a season that will include two quadrennial blockbusters: a presidential election race and the Olympics. Because ABC has the Olympics this time around, it will be the big winner when it pushes across expected rate increases of about 15% during the often-heated bargaining sessions between advertisers and the networks.

By the time those sessions are over, a prime-time network minute could be approaching $200,000, and everyone will benefit, starting in September. "It's obviously going to be a seller's market this year," says Kidder, Peabody analyst Joseph Fuchs, who expects total broadcast industry revenues to be up by about 13%, to $16 billion, this year.

Not enough of that increased revenue will flow to the bottom line, unless broadcasters get their costs under control. That didn't happen in 1982, which should have been an exceptional year. Advertisers paid 14% more for national time and 11% more for local spots, but most of it was wiped out by costs that escalated by nearly as much. Despite all that spending, though, "there's so little good product around that those who have it are in the driver's seat," says Jack Fritz, president of John Blair & Co., which sells television time to advertising agencies.

There are indications that production costs are indeed now rising more slowly than in the past. For one thing, contracts between networks and production companies written in the inflationary 1970s were at rates much higher than those prevailing now. For another, Hollywood is currently a vast wasteland, with unemployment running close to 25%. So, there's little chance of a long strike such as the one by actors and writers that made 1980-81 a disappointment for broadcasting. Third, network executives have become a lot more hard-nosed. "If a star balks at a deal, he's likely to be shown the door," says Fuchs. "That's a major change."

Another big change would help: elimination of the Federal Communications Commission's "7, 7 and 7" rule, which prevents any one com-

Broadcasting

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Metromedia	1	45.3%	75.6%	1.4	1	21.2%	28.2%	21.2%	5	13.4%	1	38.1%
Capital Cities Commun	2	22.5	20.1	0.2	2	17.9	16.8	14.1	2	20.8	3	22.9
Amer Broadcasting	3	20.6	16.7	0.2	4	16.8	14.0	6.2	4	13.5	4	18.8
Rollins	4	20.3	17.7	0.2	3	17.1	14.7	8.1	3	13.8	5	12.4
CBS	5	17.5	9.4	0.2	6	15.1	7.9	2.9	6	13.1	6	5.8
Oak Industries	6	15.8	11.1	0.5	5	15.2	11.5	5.0	1	23.9	2	26.6
RCA	7	12.4	9.9	0.9	7	9.9	7.8	2.5	7	9.6	7	2.2
Industry medians		20.3	16.7	0.2		16.8	14.0	6.2		13.5		18.8
All-industry medians		15.9	12.9	[illegible]		11.4	9.3	[illegible]		13.6		[illegible]

Note: Explanation of Yardsticks calculations on page 50.

pany from owning more than seven TV and the same number of AM and FM radio stations. There's a better than even chance the rule will be abolished or the limit raised in 1983. That would allow many broadcasters to invest their surplus capital back into their basic business as well as into new technologies such as cable. Up to now, they have been forced to buy unrelated businesses that have often failed to pan out.

Offering almost as much bottom-line promise is the proposal to abolish syndication and financial interest rules. These prevent broadcasters from owning residual rights to series for which they have put up the financing. Reruns are where the big profits come. This proposal, also said to have a better than even chance of passing, is now awaiting FCC action.

As in 1982, the biggest winners will be the biggest players in the game: the networks and the group broadcasters. Independents and smaller companies posted smaller, though still heavy, gains last year because they were harder hit by the ailing economy. And the pattern will continue in 1983. The reason is simple: National advertisers are still healthy enough to spend big bucks, while local advertisers such as retailers, restaurants and auto dealers are hurting more and cutting back.

Such cutbacks are hitting cable hardest of all. When the networks raised their prices last year, many advertisers simply cut back on money ticketed for cable. Unless the economy picks up soon, advertising may grow at a slower rate than in 1982, when cable ad revenue reached $180 million—up from $150 million a year earlier but well under predictions of $220 million. That was peanuts, compared to broadcasting revenues of over $14 billion.

The recession is cutting into cable advertising for another reason, too. "Much of the advertising is experimental," says Fritz of John Blair. "When times are tough, it's the first thing to go." That means major corporations that have devoted up to 5% of their advertising budgets to cable in recent years could be throwing less into the pot in 1983.

Even pay cable, which makes money by charging customers a monthly fee rather than through advertising, is below expectations. The much ballyhooed idea of selling viewers three or more services—and charging up to $40 per month for them—has so far not become widespread. That's ominous for the continued fast growth of cable because, with the exception of Ted Turner's Atlanta-based superstation, WTBS, movie-oriented pay channels are the only cable services now running in the black. "Pay cable isn't the wonderful, recession-proof business everyone once thought it was," says Goldman Sachs analyst Ellen Sachar.

In a nutshell, cable's unexpected slowdown means the networks are hardly dinosaurs destined soon to disappear. True, last fall the networks' combined share of the prime-time audience fell to 82% from 86% a year earlier. It may even dip under the 80% mark in the near future. But that's still 60 million U.S. homes.

And if the recession wears on, a rebound will almost certainly occur. Why? To get cable and other technological wonders such as home video games, consumers must shell out cold cash. Says analyst John Reidy of Drexel Burnham Lambert: "Commercial broadcasting, on the other hand, is seen as a free service by most." That's obviously important when times are tough, as they are now. "And no matter what happens," adds Reidy, "major advertisers will continue to view commercial television as the mass medium of choice." ■

News: A half-billion-dollar battle

Nowhere is the battle between costs and revenues fiercer than in network news departments. This year the combined budgets of ABC, CBS and NBC news will exceed half a billion dollars.

Alarmed, the networks are trying to hold the line. At all three, news budgets for 1983 call for cost increases of 12% or less. "But it's not certain they'll be able to stay within that figure," says John Reidy of Drexel Burnham Lambert. "News has become as competitive as prime-time programming."

Unless costs are controlled, however, traditionally profitable CBS News (including *60 Minutes*) and recently profitable ABC News could push down profits at the parent companies in 1983. If so, estimates that overall CBS earnings next year will jump from about $5.50 to $7.35 per share, and ABC's from about $5.10 to $6.20 per share, could be a bit optimistic. NBC News has a smaller impact on earnings because its parent, RCA Corp., is larger and highly diversified.

Yet network executives—like all news executives—have little control over news costs, which are more crapshoot than corporate planning. Take a look at 1982, when unpredictable and expensive-to-cover events dominated the headlines: war in the Mideast and the Falkland Islands, rebellion in Central America and Poland.

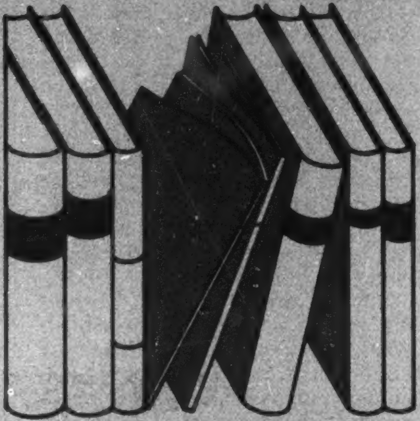
And there is the added cost of late-night news operations, which all three networks expanded last year. Those operations raised total news programming by nearly 80%. ABC went from 17 hours of news per week to 28, NBC from 15 to 22, and CBS from 18 to an unprecedented 40 hours.

ABC's Ted Koppel talks to Yasir Arafat
The late-night test track.

They were set up largely in response to Ted Turner's 24-hour-per-day Cable News Network, which is slowly creeping toward the black. Turner's road to profitability may have suddenly gotten longer when ABC and Westinghouse jointly put Satellite News Channels, another 24-hour-a-day news operation, on the wire at midyear.

Late night is also a test track for news show formats and new personnel. The fact is, news is a growth industry in television, whatever the margins. Why? "It's something the networks can do better than anyone else," says one analyst. And special information and news shows on prime time are cheaper to produce than adventure series and sitcoms. Yet they can achieve as high ratings and bring in as much money. "If it were not for shows like *60 Minutes* or *20/20*, neither CBS' nor ABC's news operations would be profitable," says Reidy.—T.O.

Transmitting words on a television screen sounds great, but if teletext and videotex are to fly, they must get advertising.



Publishing

By Pamela Sherrid

THE TECHNOLOGY for electronic publishing systems is getting better and better, but what about the economics?

A crowd of media companies, including Knight-Ridder, Field, Cox, Time and CBS, is spending millions on systems with names such as Viewtron and Keyfax. The bet is that TV viewers will want to plug into written news, games or their bank accounts and read them off the home screen. Newspapers may be most at risk, but to the extent the new media take up consumers' time—and advertisers' dollars—they will be competing with everything from TV to billboards.

The new print-on-the-screen systems are of two kinds: teletext and videotex. In a teletext system, the signal piggybacks invisibly on a regular TV broadcast by squeezing between the frames. A limited amount of information, say 200 pages, is continually spewed out in a repeating circle; the viewer can retrieve it by means of a keyboard and display any page he fancies. In a videotex system, on the other hand, which costs five or ten times as much to set up (currently $10 million to $20 million), this retrieval capability is expanded to many thousands of pages because the screen is hooked into a central computer. Videotex can also accommodate two-way transactions—the user can buy an airplane ticket or even groceries.

James Pierson and Michael Tyler of CSP International
One disadvantage: All human faces wind up looking like Pac-Man.

Some electronic publishing systems, such as Dow Jones' News Retrieval Service for business and Mead Corp.'s system for lawyers, have been available for years. But according to Michael Tyler, president of CSP International, a leading consultant, that experience is misleading for publishers looking for a wider market. "A chemical engineer goes into a system looking for every paper on ethylene distillation—and he's happy to pay for it," Tyler points out. "Technical or scientific publications, in whatever media, are typically financed 100% by users." But a mass medium has to entertain as well as inform—yet people won't pay as much for something they don't absolutely need. Thus, a viable mass market in electronic publishing means advertising.

In fact, most companies launching teletext and videotex systems today plan on peppering ads through the information. And in wooing advertisers, electronic publishing is at a distinct disadvantage compared with color magazines and TV, because of the lack of compelling visual display: All human faces wind up looking like Pac-Man. There are a couple of compensating advantages. First, ads can be directed at a very specific audience, because people will only tune in on pages that really interest them. Videotex, in particular, which can hook up to a personal computer, offers not only ads but also the opportunity for the viewer to buy on the spot. And finally, electronic publishing offers the unique ability to measure precisely and immediately how many people view each ad.

Using data from a Times-Mirror videotex test in California and a commercial British teletext system, Tyler and an associate, economist James Pierson, recently tried to figure out what advertisers might be willing to pay. Like all strategic planners, they had to pile assumptions on top of each other. They came up with a range of $1.70 to $4.00 per thousand viewers (CPM), depending on the type of system and ad, as compared with $3.18 for a 30-second TV spot on prime-time network, $5.35 for a full-page color ad in a golf magazine and $125 for direct mail (1980 prices). "The fact that people are willing to spend so much on direct mail campaigns—which we see as similar to videotex in many ways—indicates that videotex should be appealing," Tyler says. If the pictures on videotex ever get up to the quality of a glossy catalog, he thinks, its home-shopping capability could command a much higher price.

An important caveat: Tyler's analysis so far is based on the long-term economics of these systems. It ignores the fact that electronic publishing cannot achieve its full advertising potential until it achieves a critical mass of viewers—a lesson any cable TV operator could tell you. Advertising potential may be fine, but penetration is what counts.

Tyler believes that teletext could have 20% national penetration and videotex 10% by the end of this decade. At those levels, the new electronic media will be able to garner about half of its potential ad revenues on a cost-per-thousand basis, he says. Revenues like that would be only a tiny fraction of total 1990 U.S. ad spending—less than 1%. "That's not something existing media have to lie awake at night worrying about," Tyler concedes. A cloud smaller than a man's hand, you might say. "Electronic publishing won't be a huge business in 1990, but it may be by 2000," Tyler says. Giant newspaper and magazine publishers like Knight-Ridder and Time Inc. want to be involved in the words-on-a-screen business long before then. ■

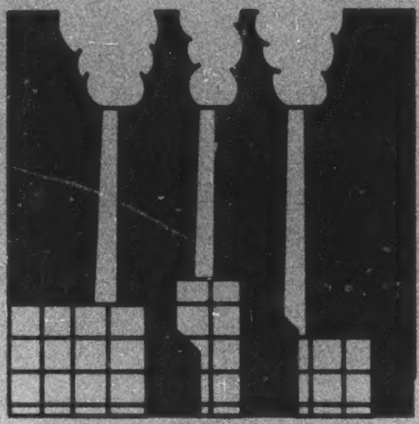
Publishing

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	3-year average	5-year rank	5-year average
Dow Jones	1	32.4%	32.0%	0.2	2	29.4%	26.5%	12.3%	5	17.4%	6	17.1%
Dun & Bradstreet	2	29.9	31.4	0.0	1	30.0	31.5	9.6	10	15.5	6	17.1
Deluxe Check Printers	3	28.3	27.4	0.0	3	26.0	24.6	11.1	11	15.4	5	17.8
Washington Post	4	24.2	22.5	0.2	7	19.3	18.2	6.1	12	14.9	3	20.3
Capital Cities Commun	5	22.5	20.1	0.2	9	17.9	16.8	14.1	3	20.8	2	22.9
McGraw-Hill	6	21.8	21.3	0.0	5	19.6	19.4	9.0	15	12.3	4	18.9
Gannett	7	21.8	21.2	0.3	8	18.0	16.2	12.2	1	24.4	9	16.7
A C Nielsen	8	20.7	22.8	0.1	4	20.1	20.8	6.9	4	19.1	11	15.7
Interpublic Group	9	20.6	15.6	0.1	6	19.5	15.2	3.8	6	17.1	12	14.1
Times Mirror	10	20.3	14.9	0.5	10	16.8	10.9	6.3	7	16.3	8	16.9
Equifax	11	19.2	19.1	0.1	11	16.5	15.9	3.1	17	9.3	17	5.6
Meredith	12	17.8	17.1	0.4	15	12.2	11.5	6.0	9	15.5	1	27.9
New York Times	13	17.1	19.8	0.4	13	14.7	14.7	6.3	16	11.5	14	13.4
Knight-Ridder News	14	16.7	14.0	0.1	12	15.4	12.3	7.4	14	13.4	10	16.0
R R Donnelley & Sons	15	15.5	15.4	0.0	14	13.7	13.1	6.3	8	16.2	13	13.8
Time Inc	16	14.7	11.6	0.3	16	11.8	9.1	4.7	2	23.9	15	11.6
Harcourt Brace Jovan	17	13.7	11.8	0.6	17	9.9	8.7	3.6	13	14.5	16	5.9
Macmillan	18	2.7	11.0	0.2	18	3.3	9.5	4.9	18	0.9	18	–24.6
Industry medians		20.5	19.5	0.2		17.4	18.6	6.1		15.5		16.4
All-industry medians		15.9	12.7	0.4		11.8	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.

Look for more trimming and belt-tightening as the diversified companies face up to hard times and the end of their inflation game.



Diversified companies

By Steve Kichen

THE PRESENT ECONOMIC downturn is so widespread and so deep as to call into question the very uses of diversification. To be successfully diversified, in theory, is to build stability into profits and planning. The table below shows that the diversified companies, especially the multicompanies, are not living up to that expectation. The five-year average return on equity for the diversified companies is only slightly behind FORBES industry medians, but in the stress of the last 12 months they fell even further behind. Indeed, almost half the diversified firms have a 12-month return on equity of less than 10%. Bangor Punta shows the lowest return—just 1.1%. Chromalloy American is running at a deficit.

The median for the group's 12-month return on equity would be even lower were it not for a few standouts. Northwest Industries, Raytheon, Litton Industries and Whittaker show returns greater than 20%. And perennially strong Teledyne has a 12-month return on equity of 21.9%.

Most of today's diversified firms are coping, not only with little or no sales growth, large amounts of overcapacity and foreign competition, but also with persistent skepticism on Wall Street. Thus, despite an earnings record that many another firm would envy, Litton is trading at 6.5 times estimated 1982 earnings. Gulf & Western and Kidde are priced respectively at 6.4 and 6.1 times estimated 1983 earnings.

This, at a time when even an unspectacular single-minded company like Clorox is selling at 13.5 times

Diversified companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Multicompanies												
IU International	1	23.1%†	9.7%	0.8	12	9.9%†	7.0%	1.6%	21	3.9%‡	5	17.1%‡
Esmark	2	22.6	14.0	0.6	7	13.5	10.1	2.7	22	–1.8	4	17.9
Minn Mining & Mfg	3	22.4	18.6	0.1	1	19.4	16.4	9.7	5	12.7	9	14.2
American Brands	4	21.7	19.7	0.3	4	15.9	15.1	5.8	9	9.7	2	18.5
American Standard	5	21.4	6.8	0.4	5	15.2	5.7	2.0	15	7.6	1	18.9
General Electric	6	20.4	19.2	0.1	2	18.2	17.7	6.6	7	11.1	11	12.3
Rollins	7	20.3	17.7	0.2	3	17.1	14.7	8.1	4	13.8	10	12.4
Martin Marietta	8	17.7	11.5	0.2	8	12.9	6.7	3.9	2	16.8	6	16.1
Westinghouse Electric	9	15.6	15.8	0.3	6	13.5	13.4	4.7	18	7.0	3	18.4
City Investing	10	15.2	8.9	1.3	15	9.8	8.7	1.6	1	16.9	7	16.1
Borg-Warner	11	14.2	13.7	0.1	9	12.8	12.8	5.6	12	8.9	8	14.7
FMC	12	13.4	12.3	0.3	13	9.9	9.2	4.4	10	9.5	12	9.3
Union Carbide	13	13.0	7.9	0.3	17	9.2	6.0	4.6	8	10.4	16	4.1
Textron	14	12.7	8.2	0.2	10	10.7	7.4	3.3	19	6.7	17	3.9
RCA	15	12.4	9.9	0.9	13	9.9	7.8	2.8	11	9.0	18	3.2
Household Intl	16	12.3	8.9	2.1	22	6.7	5.6	1.8	3	14.6	14	4.4
Corning Glass Works	17	11.9	3.0	0.2	11	10.4	3.1	2.1	14	7.8	13	7.2

Note: Explanation of Yardsticks calculations on page 50.
‡Four-year growth. †Four-year average.

earnings. Besides breeding shareholder discontent, substantial discounts from the market multiple make such companies vulnerable to takeover and limit their ability to raise new capital through the sale of new stock.

That's why some of the best-known diversified companies are leaning down and cleaning house. RCA, for example, is trying to sell its car- and truck-leasing business. Hertz is definitely for sale. General Electric sold its central-air-conditioning operations to Trane Corp. U.S. Industries, Fuqua, American Brands and Corning Glass Works sold subsidiaries. And after disposing of Harley-Davidson motorcycle, powerboat and sportswear operations the year before, AMF in 1982 sold certain portions of its electronics business and its lawn, garden and wheel goods divisions.

In a fair number of cases, the restructuring of empires built in the 1960s—through spinoffs, leveraged buyouts, consolidation, asset sales and liquidation—amounts to more than mere tinkering. Textron, which pioneered the conglomerate form under Royal Little, has slimmed down from 35 divisions in 1961 to 24 divisions today.

Rolland Williams, an analyst at E.F. Hutton, sees a pattern in a lot of these moves—away from capital-intensive businesses. "The trend will continue

What's a conglomerate?

This year, after considerable wrangling by FORBES editors and statisticians, multicompanies and conglomerates are being carried together under a single banner—diversified companies. By either name, multicompany or conglomerate, a firm must, in general, be in at least four sizable and distinct lines of business to be included.

The multicompany category contains those firms that usually show only limited activity on the acquisition front. Over the last several years most of the growth of these companies, such as it is, has been internal. Koppers is a good example.

Conglomerates, in contrast, are companies that FORBES considers to be still actively acquiring or divesting other firms or holding a number of investment positions in other firms. Teledyne's equity portfolio includes more than 20% of Brockway Glass, Litton Industries and Reichhold Chemicals and more than 50% of Curtiss-Wright. Another active conglomerate, Gulf & Western, has a 20% or larger interest in Amfac, Esquire, General Tire & Rubber, Libbey-Owens-Ford, Mohasco, Munsingwear and J.P. Stevens.

Needless to say, many companies fall on the border between multicompanies and conglomerates. Multicompany General Electric, for one, has recently acquired several small high-technology firms, while conglomerates Scott & Fetzer and Chromalloy American have been largely inactive on the acquisition front.

In this year's survey, 22 firms have been dropped from the diversified companies section, but they still appear in one or more of the other sections of this issue.

Over the last several years these firms have restructured their operations and no longer meet our qualification of running at least four distinct businesses. Among the dropouts: Avco, Brunswick, Dillingham, GAF, General Tire & Rubber, LTV, NL Industries, SCM, Rockwell International, Sperry and Transamerica.—S.K.

Diversified companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
National Distillers	18	11.7%	8.9%	0.2	16	9.6%	7.5%	5.2%	17	7.2%	19	3.0%
Intl Tel & Tel	19	11.2	10.4	0.5	18	9.0	8.1	3.8	13	8.1	15	4.2
AMF	20	10.8	7.5	0.4	20	8.2	6.2	2.9	20	4.8	21	0.3
Koppers	21	10.4	3.4	0.4	19	8.6	4.3	1.7	6	11.7	22	–0.8
Olin	22	9.2	8.9	0.4	21	7.1	6.9	3.8	16	7.3	19	3.0
U S Industries	23	3.6	7.6	0.2	23	4.0	7.3	3.3	23	–4.1	23	–9.7
Medians		13.4	9.7	0.3		[illegible]	7.5	[illegible]		[illegible]		[illegible]
Conglomerates												
Teledyne	1	32.3%	21.9%	0.3	1	23.4%	16.7%	12.5%	19	9.7%	4	35.4%
Northwest Industries	2	26.7	28.0	0.5	4	15.4	15.9	9.7	9	15.8	7	23.1
Raytheon	3	24.4	21.3	0.0	2	23.0	20.7	5.8	8	16.1	9	22.1
Lear Siegler	4	24.2	17.0	0.4	5	15.0	12.9	4.7	12	14.4	8	22.2
Whittaker	5	22.1	20.2	0.4	3	18.2	20.3	4.2	14	13.7	3	56.8
Litton Industries	6	19.5	22.6	0.1	9	14.0	17.4	6.4	24	6.8	[illegible]	67.2
Alco Standard	7	19.2	17.3	0.6	8	14.1	12.8	2.2	3	17.2	14	13.5
TRW	8	19.1	14.0	0.2	11	12.5	9.2	3.7	16	12.1	15	10.8
Bendix	9	19.1	9.0	0.3	6	14.9	7.9	3.2	21	7.9	10	17.1
Scott & Fetzer	10	17.8	15.0	0.4	7	14.1	11.6	4.4	11	14.9	21	8.3

Note: Explanation of Yardsticks calculations on page 50.

to be toward the high-return industries in technology and services rather than the low-return capital-intensive businesses such as cement and zinc that Gulf & Western is getting rid of, for example," says Williams.

While they are at it, a few diversified companies might well be buying back their own shares. Over the last two years at least 10 of the 39 diversified firms did some significant stock repurchasing. Among them: Minnesota Mining & Manufacturing, IC Industries, Esmark, Whittaker, Scott & Fetzer, Fuqua Industries and Northwest Industries. Other things being equal, the tactic automatically boosts per-share earnings simply by reducing the number of shares outstanding. Thus, even if stock prices continue to rise, real laggards such as Chromalloy American, Northwest Industries and AMF might still find it worthwhile to buy back their own shares.

Still, the impulse to merge and acquire remains. Early in 1982 Allegheny International completed the acquisition of Sunbeam, the world's largest maker of small appliances. Signal Cos. is expected to merge with Wheelabrator-Frye *(see p. 130).* American Brands recently announced plans to acquire Pinkerton. Gulf & Western acquired the domestic hosiery and socks business of Burlington Industries. And, of course, after that noisy battle and stock swap, Allied Corp. *(see pp. 89, 117)* is on the way to controlling all of Bendix and 39% of Martin Marietta.

The restructuring of diversified companies should continue. John Grant, executive vice president of finance and administration for American Standard, thinks many managers will be forced, by declining inflation and lower interest rates, to redefine what their companies are all about. Says Grant: "Firms will be taking a harder look at divestitures and liquidations."

Similar thoughts are reflected by J.F. Bradley, executive vice president of Scott & Fetzer, the Lakewood, Ohio-based conglomerate, "If you are going into a noninflationary period it suggests a time of greater stability, and if financing costs are lower it should open up opportunities for acquisitions and divestitures." However many or few businesses a diversified company runs, Bradley cautions, it will have to run them well. "The inability to raise prices," he says, "will force a lot more emphasis on efficiency, reducing unit costs and increasing product quality." ■

Diversified companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Bangor Punta	11	17.1%	1.1%	0.6	15	9.8%	2.7%	0.5%	6	16.3%	1	82.3%
United Technologies	12	16.7	13.3	0.3	10	12.7	10.0	3.0	3	22.1	16	10.4
W R Grace	13	16.4	16.8	0.6	12	11.4	10.9	5.5	17	10.4	18	9.0
Ogden	14	16.2	11.5	1.4	19	8.7	6.8	2.8	23	6.9	19	8.5
Figgie International	15	15.9	16.6	0.7	17	9.0	9.8	3.6	22	7.6	11	16.4
Kidde	16	15.6	14.1	0.6	14	10.0	9.4	3.4	10	15.7	13	14.2
Gulf & Western Inds	17	15.6	8.2	0.8	18	8.8	6.7	3.2	15	13.4	22	8.1
Signal Cos	18	14.9	8.3	0.4	13	11.4	7.1	2.7	7	16.2	12	16.1
Allegheny Intl	19	13.7	6.1	0.8	20	8.4	6.2	2.3	13	13.9	17	10.0
Penn Central	20	12.8†	10.6	0.5	16	9.3†	8.0	4.6	1	56.1‡‡	5	81.8‡‡
Amfac	21	12.0	4.6	0.7	22	7.8	4.1	1.1	18	10.2	23	5.8
IC Industries	22	9.9	5.4	0.6	24	6.3	4.5	1.9	4	19.6	20	8.4
Sybron	23	9.7	4.8	0.4	21	7.9	4.7	2.0	25	5.5	24	0.3
Chromalloy American	24	9.1	def	0.8	23	6.7	def	def	20	8.7	25	-6.5
Fuqua Industries		**	18.2	3.5		**	8.2	1.3	2	29.6	6	25.7
Medians		16.6	14.0	0.5		11.4	9.2	3.2		13.9		14.2
Industry medians		15.6	11.1	0.4		10.4	8.1	3.4		10.4		12.4
All-industry medians		15.9	12.7	0.4		11.8	9.3	3.4		12.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
†Four-year average. ‡‡Three-year growth. def: deficit **Not available; not ranked.

How do the middle-ranking companies in FORBES' industry groups and subgroups compare with one another in sales and profit growth?

Who's where in the industry groups

ARE WE IN THE TROUGH? Look at the tables on the next two pages, rounding up growth and profitability for the 46 industry groups and the 61 subgroups surveyed in this issue. The all-industry median return on stockholders' equity was down to 12.7%. That's the lowest for the FORBES Report on American Industry in seven years, and substantially below the five-year average of 15.9%.

Put it in context, however: A year ago the median ROE was an admittedly higher 14.7%. Then, though, inflation was running at 10%, while over the 12-month period surveyed for the 1982 figures, it averaged only 5.1%, as measured by the Consumer Price Index. The median fell, but inflation fell much faster.

It was a rare industry last year that was able to match its *own* five-year average. Only five did so: oilfield drillers and services, beverages, wholesalers, supermarkets and electric utilities. Electric utilities? Yes, because of the regulatory lag—public service commissions grudgingly giving ground on rates, sometimes nudged along by the courts *(see p. 103),* while a lessened inflation rate was easing the utilities' costs. Oilfield drillers and services, at the top of the list, is a profitable business by any account. But it was much more profitable during the 12-month period ended Sept. 30 than it has been since.

Within each industry there are some interesting variations. The specialty retailers industry, for example, failed to match its five-year average in median ROE, but the fast-food subgroup did better than drug chains because food inflation last year was lower than general inflation. Similarly, natural gas pipeliners and distributors had a better record than producer-pipeliners or pure distributors.

How do the 46 industries stack up against one another? At the top, after oilfield drillers and services, the enormously profitable tobacco industry, followed by publishing, health care, broadcasting and drugs. At the bottom: airlines, the thrifts, autos and trucks, steel, railroads and apparel. In the middle range there are a few surprises. The brokerage business, buoyed by the rally, ranks 12th in median return on equity, just behind electronics; just below are truckers and shippers. And both outrank the computer industry.

In tracking these industry performances, we use medians rather than averages to avoid distortions because of windfall profits at the top or staggering losses at the bottom. The medians, in effect, typify companies in the middle ranks, and the yardsticks, then, are the means to measure a company against its industry median, and against others in its industry.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Industry	5-year rank	5-year average	latest 12 months	debt/ equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Oilfield drillers and services	1	21.9%	23.0%	0.4	7	15.4%	14.6%	11.5%	2	22.8%	3	19.5%
Tobacco	2	21.7	19.7	0.3	13	13.5	12.1	5.8	17	15.1	6	18.5
Publishing	3	20.5	19.5	0.2	1	17.4	15.6	6.3	15	15.5	10	16.4
Health care	4	20.4	19.4	0.3	12	13.8	14.4	6.8	9	18.2	2	20.4
Broadcasting	5	20.3	16.7	0.2	2	16.8	14.0	6.2	22	13.5	5	18.8
Drugs	6	20.2	16.8	0.2	6	15.5	14.0	9.6	30	11.8	29	11.0
Office equipment and services	7	19.7	15.0	0.3	4	15.8	12.0	3.4	6	19.9	14	14.7
Office equipment	—	17.7	10.7	0.3	—	14.3	9.0	3.8	—	13.8	—	9.2
Office services	—	23.1	17.1	0.2	—	18.4	15.2	3.4	—	23.2	—	17.5
Toiletries and cosmetics	8	19.1	17.7	0.2	9	15.3	13.1	6.7	29	12.0	25	12.0
Energy	9	18.8	12.1	0.5	17	12.7	8.0	3.6	7	19.7	18	12.9
International oils	—	18.8	10.7	0.2	—	13.9	8.5	3.1	—	17.3	—	12.5
Other oil and gas	—	18.8	12.6	0.5	—	12.8	8.0	4.0	—	22.4	—	14.2
Coal	—	10.0	11.8	0.5	—	6.7	6.9	3.4	—	10.9	—	-6.7
Electrical equipment	10	18.6	15.9	0.2	3	16.6	13.3	5.5	12	15.8	13	15.2
Electronics	11	18.5	12.0	0.3	11	14.9	10.3	5.0	14	15.6	9	17.1
Brokerage	12	18.3	18.2	0.4	7	15.4	16.8	4.3	1	33.8	4	19.3
Truckers and shippers	12	18.3	10.9	0.7	29	10.0	8.1	3.0	30	11.8	30	10.7
Truckers	—	20.9	12.5	0.8	—	10.1	8.5	3.1	—	12.1	—	12.8
Other surface transportation	—	14.8	10.7	0.5	—	9.8	7.0	2.8	—	6.9	—	8.5
Specialty retailers	14	18.1	16.7	0.5	16	13.2	11.1	2.5	10	17.0	11	16.1
Drug chains	—	19.6	17.4	0.6	—	14.4	12.4	2.8	—	18.6	—	17.6
Fast food chains	—	19.4	20.8	0.9	—	10.7	12.1	3.9	—	18.2	—	16.7
Other specialists	—	16.3	10.3	0.4	—	12.9	8.9	2.1	—	13.9	—	14.3
Computers	15	17.9	12.7	0.3	5	15.6	10.9	5.9	3	22.7	1	21.6
Insurance	15	17.9	12.9	0.1	10	15.2	11.0	7.0	20	13.9	8	17.2
Life and accident	—	14.6	11.0	0.1	—	12.9	9.7	7.9	—	11.8	—	10.8
Fire and casualty	—	20.2	13.3	0.1	—	19.3	13.1	6.3	—	15.2	—	20.2
Multiple line	—	19.0	15.7	0.1	—	15.3	14.4	7.2	—	12.6	—	18.4
Aerospace and defense	17	17.7	11.4	0.3	15	13.3	10.2	3.2	19	14.0	24	12.1
Leisure	18	17.5	14.7	0.4	21	11.4	10.2	5.3	27	12.9	21	12.4
Hotels and gambling	—	20.9	10.2	1.1	—	10.4	8.0	4.5	—	12.6	—	19.4
Entertainment	—	17.5	16.2	0.2	—	14.0	15.4	7.6	—	16.4	—	12.3
Recreation	—	16.1	15.0	0.3	—	12.2	12.6	5.3	—	11.5	—	12.1
Beverages	19	17.1	18.0	0.3	23	11.0	11.2	5.2	28	12.3	16	13.2
Alcoholic beverages	—	13.2	10.0	0.2	—	10.2	7.3	5.2	—	8.8	—	11.6
Soft drinks	—	22.6	21.6	0.5	—	15.2	15.6	5.4	—	15.2	—	13.2
Industrial equipment and services	20	16.5	12.8	0.3	14	12.4	9.6	3.9	24	13.2	17	13.0
Production equipment	—	15.9	9.3	0.3	—	13.2	7.6	3.6	—	12.9	—	9.2
Specialty equip, materials	—	15.9	12.9	0.3	—	13.4	10.5	3.9	—	12.6	—	11.0
Industrial services	—	22.5	19.8	0.5	—	14.1	14.5	5.9	—	24.0	—	22.2
Wholesalers	20	16.5	16.6	0.6	19	11.9	12.9	1.3	21	13.6	20	12.7
Food distributors	—	14.9	14.9	0.6	—	10.9	10.6	0.8	—	13.6	—	10.8
Other wholesalers	—	16.9	18.6	0.6	—	13.8	13.3	2.1	—	12.8	—	13.6
Supermarkets	22	16.4	16.9	0.9	27	10.3	10.7	1.1	26	13.1	15	14.0
Major chains	—	18.8	19.3	0.9	—	11.5	11.8	1.3	—	13.3	—	15.0
Regional chains	—	14.7	14.2	0.9	—	10.1	10.2	1.1	—	12.7	—	12.7
Contractors	23	16.0	11.5	0.3	22	11.1	7.6	1.7	16	15.4	7	18.2
Heavy construction	—	16.4	16.0	0.3	—	13.2	12.6	1.8	—	16.1	—	17.5
Home building	—	12.3	def	0.8	—	8.1	1.7	def	—	12.7	—	21.3
Natural gas	24	15.7	15.1	0.7	35	8.9	9.0	4.0	4	20.7	31	9.3
Producers and pipeliners	—	18.7	17.9	0.6	—	9.7	9.2	4.2	—	25.2	—	13.1
Pipeliners and distributors	—	20.3	21.6	0.5	—	10.5	10.7	5.7	—	22.4	—	11.7
Distributors	—	13.7	12.1	0.7	—	8.0	7.6	3.2	—	19.0	—	7.8

Note: Explanation of Yardsticks calculations on page 50. def: deficit.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Industry	5-year rank	5-year average	latest 12 months	debt/equity ratio	5-year rank	5-year average	latest 12 months	net profit margin	5-year rank	5-year average	5-year rank	5-year average
Diversified companies	25	15.6%	11.1%	0.4	26	10.4%	8.1%	3.4%	40	10.4%	21	12.4%
Multicompanies	—	13.4	9.7	0.3	—	9.9	7.5	3.8	—	8.9	—	9.3
Conglomerates	—	16.6	14.0	0.5	—	11.4	9.2	3.2	—	13.9	—	14.2
Branded foods	26	15.4	14.0	0.4	18	12.2	11.0	2.9	32	11.4	26	11.4
Diversified	—	16.0	14.9	0.4	—	12.5	10.9	2.6	—	11.4	—	10.4
Specialized	—	15.3	12.7	0.3	—	11.9	12.8	3.5	—	11.3	—	11.9
Chemicals	27	15.2	10.7	0.3	25	10.5	8.0	4.6	33	11.3	32	9.0
Diversified	—	13.1	9.5	0.3	—	9.7	7.6	4.4	—	10.5	—	4.5
Specialized	—	18.1	12.5	0.4	—	11.8	8.6	5.5	—	12.9	—	12.8
Telecommunications	28	14.5	14.1	0.9	40	7.6	7.6	8.7	23	13.3	36	7.7
Banks	29	14.4	13.7	0.3	20	11.6	11.4	5.4	5	20.5	27	11.3
New York banks	—	14.7	15.3	0.5	—	11.6	12.1	4.1	—	21.8	—	11.2
Regional banks	—	14.3	13.6	0.3	—	11.6	11.2	5.9	—	19.7	—	11.4
Financial services	30	14.2	10.7	1.0	30	9.5	8.4	3.3	13	15.7	12	15.5
Food processors	30	14.2	12.6	0.4	24	10.9	9.8	1.8	39	10.5	27	11.3
Meatpackers	—	11.2	17.5	0.6	—	8.6	10.8	1.6	—	7.8	—	1.4
Agricultural commodities	—	16.2	12.4	0.4	—	12.0	9.3	3.4	—	12.8	—	15.4
Household goods	32	13.5	7.5	0.4	32	9.2	6.2	2.3	38	10.7	35	8.0
Appliances	—	12.4	5.7	0.5	—	8.9	5.9	1.9	—	7.4	—	7.2
Housewares and furnishings	—	9.7	3.4	0.4	—	8.1	4.8	1.1	—	10.7	—	2.4
Housekeeping products	—	17.6	17.2	0.3	—	14.1	14.1	5.3	—	11.0	—	11.2
Auto suppliers	33	12.8	9.3	0.4	27	10.3	7.5	2.9	42	9.6	40	5.6
Tire and rubber	—	5.8	5.7	0.5	—	5.7	4.7	1.8	—	6.5	—	-3.8
Parts makers	—	14.0	9.4	0.4	—	11.0	7.9	3.2	—	11.8	—	6.2
Construction, mining, rail equipment	33	12.8	3.2	0.5	39	7.8	3.3	1.6	41	10.2	38	6.3
Heavy equipment	—	11.6	1.5	0.4	—	9.3	2.4	0.8	—	9.8	—	1.8
Rail equipment	—	12.8	4.7	1.2	—	7.5	4.0	2.9	—	10.5	—	9.2
Forest products	35	12.6	6.1	0.5	34	9.0	4.9	3.3	35	11.1	39	6.0
Electric utilities	36	12.3	13.8	0.9	44	6.9	7.2	11.2	18	14.7	42	3.4
Northeast	—	12.3	13.6	0.8	—	6.9	7.1	10.5	—	13.5	—	3.0
Midwest	—	12.4	13.9	0.9	—	6.9	7.2	12.6	—	14.7	—	2.8
Southeast	—	11.9	12.9	0.9	—	6.7	6.9	10.8	—	15.3	—	3.4
Southwest	—	14.1	15.5	0.8	—	7.7	8.0	11.9	—	19.4	—	4.7
West	—	12.0	14.8	0.9	—	7.3	7.9	12.6	—	20.3	—	3.6
General retailers	37	12.0	9.7	0.8	38	8.6	7.6	2.3	36	11.0	37	7.0
Department stores	—	12.1	10.5	0.6	—	8.8	8.4	2.6	—	10.4	—	7.5
Discount and variety stores	—	11.7	8.7	0.9	—	7.5	6.2	1.3	—	12.2	—	6.1
Packaging	38	11.8	8.3	0.4	37	8.7	6.3	2.5	37	10.8	34	8.4
Building materials	39	11.4	3.1	0.4	33	9.1	3.3	1.3	43	9.5	41	5.3
Lumber	—	10.9	def	0.6	—	7.8	1.7	def	—	10.7	—	2.1
Cement and gypsum	—	12.3	def	0.6	—	9.2	2.8	0.5	—	9.5	—	10.3
Other building materials	—	10.4	3.1	0.4	—	8.2	3.4	1.0	—	7.8	—	3.3
Building equipment	—	17.4	10.3	0.4	—	12.8	8.7	3.2	—	10.0	—	16.0
Nonferrous metals	40	11.2	def	0.5	31	9.4	0.7	def	33	11.3	33	8.9
Apparel	41	11.0	10.0	0.3	36	8.8	8.5	2.9	46	7.3	18	12.9
Clothing	—	12.3	10.9	0.3	—	10.9	10.1	3.0	—	7.2	—	16.5
Textiles	—	8.7	4.5	0.4	—	6.7	4.4	1.8	—	5.7	—	5.0
Shoes	—	23.1	20.0	0.2	—	16.7	14.9	4.2	—	12.6	—	18.7
Railroads	41	11.0	9.5	0.5	42	7.3	6.6	6.3	24	13.2	21	12.4
Steel	43	9.0	1.7	0.4	40	7.6	2.9	0.7	45	8.7	43	-3.7
Autos and trucks	44	8.6	def	0.3	42	7.3	3.3	1.3	44	9.3	44	-5.1
The thrifts	45	3.7	def	0.5	45	4.6	def	def	8	18.6	46	-16.7
Airlines	46	2.8	def	1.6	46	4.5	0.5	def	11	16.1	45	-14.3
All-industry medians		15.9	12.7	0.4		11.0	9.3	3.4		13.3		12.3

Note: Explanation of Yardsticks calculations on page 50.
def: deficit.

The most important Yardstick is the net income companies are able to earn on their invested capital. Here are the rankings for 1982.

Who's where in profitability

THE MONEY THAT'S at most risk in any company is the capital put up by shareholders or reinvested in the business out of earnings. So how much money management is able to make by investing that shareholder equity has always been regarded as the basic measure of profitability.

But return on equity by itself can be a misleading measure. Some companies borrow at least as much or more over long periods and invest that in the business, too, while others do not. So the most important measure of profitability is return on total capital—stockholder equity plus long-term debt.

That's why each company in the Forbes Annual Report on American Industry is ranked both ways in the following profitability table. Comparing the two columns can be quite instructive. American Home Products ranks 25th in five-year average return on equity with 33.5%, behind 17th-ranked Mitchell Energy with 37.2%, for example. But now look at return on capital. On a five-year basis, heavily leveraged Mitchell managed only a 13% return on capital, which ranks it a mediocre 354th. Debt-free American Home's 33.5% five-year return on capital, however, ranks a dazzling 6th out of 992 companies ranked. And if you look at the latest 12-month figures, American Home's 32.9% return on capital is simply leagues ahead of glut-plagued Mitchell's measly 9% return.

How has big business been holding up against inflation in recent years? The numbers below paint a gloomy picture. Using the federal government's gross national product price deflator as a rough guide, inflation has averaged 7.7% a year over the past five years. Just about one quarter of the thousand largest U.S. companies weren't able to match that in return on capital, despite sharp cutbacks in capital spending, major divestitures and closedowns of losing operations. Among the 250-odd corporations that have been losing ground in inflation recently are such household names as American Telephone & Telegraph, GTE, Avco, Polaroid, Crown Zellerbach, Zenith Radio and Fisher Foods, as well as most of the steel, auto, airline and electric utility industry leaders.

While most of the latest 12-month figures are heading down in this recession, there are a few companies with improving return on capital numbers—Litton Industries, Purolator, MCI Communications, Warner Communications, Kellogg, Cameron Iron Works and Mattel—excluding companies like Lockheed whose numbers are up sharply chiefly because prior losses have severely shrunk their equity base.

Who's where in profitability

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
Apple Computer	1	118.6%	33.0%	1	130.9%	33.3%
NIKE	2	96.6	50.3	2	79.2	46.1
L B Foster	3	75.9	6.3	280	14.1	7.9
Subaru of America	4	63.6	56.9	3	59.9	48.3
Tosco	5	56.4	48.8	142	17.4	21.5
Consol Petroleum	6	50.0	def	890	5.7	def
Tandy	7	48.5	33.9	13	28.0	28.7
GEICO	8	46.5	30.1	28	23.9	21.0
Metromedia	9	45.3	75.6	58	21.2	28.2
Standard Oil Ohio	10	42.8	31.7	83	20.0	19.3
Resorts Intl	11	40.3	14.8	9	30.8	10.4
Comdisco	12	40.2	43.9	47	22.3	22.2
Charter	13	39.5	5.9	41	22.6	8.7
First Executive	14	39.0	29.0	39	22.9	19.9
SmithKline Beckman	15	37.5	28.5	8	33.1	24.8
Todd Shipyards	16	37.3	27.4	115	18.3	17.5
Mitchell Energy & Dev	17	37.2	24.6	354	13.0	9.0
Servicemaster Inds	18	37.1	38.1	4	37.9	37.5
Celeron	19	36.2	24.8	44	22.5	15.6
Federal Express	20	36.2	24.6	34	23.3	16.0
Schlumberger	21	36.0	32.7	7	33.4	31.3
Phibro-Salomon	22	35.5	21.8	15	27.8	15.7
Alexander & Alexander	23	34.6	20.7	5	37.4	22.7
Food Town Stores	24	33.9	26.5	17	27.0	22.4
American Home Products	25	33.5	32.9	6	33.5	32.6
Wang Laboratories	26	32.4	21.4	67	20.9	15.3
Dow Jones	27	32.4	32.0	12	29.4	26.5
Texas Oil & Gas	28	32.4	35.3	183	16.0	17.0
Teledyne	29	32.3	21.9	32	23.4	16.7
Geo International	30	32.2	12.3	24	24.8	10.6
Mission Insurance	31	31.8	23.0	19	26.6	20.9
Tyco Laboratories	32	31.5	19.4	187	15.8	10.8
G Heileman Brewing	33	31.4	27.7	35	23.1	19.1
Wal-Mart Stores	34	31.2	30.1	75	20.4	18.8
Pioneer	35	31.1	18.6	157	16.9	10.7
Worthington Inds	36	30.9	16.3	86	19.9	11.2
Baldwin-United	37	30.3	38.7	112	18.6	19.2
Western Co No Amer	38	30.3	23.9	330	13.4	10.7
Dun & Bradstreet	39	29.9	31.4	10	30.0	31.5
Humana	40	29.9	35.6	407	12.2	14.4
Nucor	41	29.8	11.8	45	22.5	9.2
Emery Air Freight	42	29.6	14.3	18	26.8	6.1
EG&G	43	29.4	27.8	22	25.2	25.2
MCI Communications	44	29.4	56.2	188	15.8	22.6
SCOA Industries	45	29.3	22.3	132	17.7	14.3
Storage Technology	46	29.3	17.8	80	20.1	13.0
Warner Communications	46	29.3	25.0	54	21.5	22.0
Occidental Petroleum	48	29.2	9.0	223	15.1	7.7
Marsh & McLennan Cos	49	29.0	21.0	11	29.4	18.4
Tesoro Petroleum	50	28.9	13.4	189	15.7	10.2
Parsons	51	28.8	27.4	26	24.2	24.8
Computer Sciences	52	28.7	16.8	170	16.5	12.8
James River Corp Va	53	28.7	21.6	161	16.8	13.1
Toys "R" Us	53	28.7	22.6	118	18.2	18.1
United Energy Resources	55	28.5	24.4	97	19.1	16.0
Deluxe Check Printers	56	28.3	27.4	20	26.0	24.6
Wendy's International	57	28.3	20.8	31	23.4	14.7
Shaklee	58	28.3	22.6	71	20.7	17.9
Super Valu Stores	59	28.0	23.8	94	19.3	18.0
Kelly Services	60	27.8	16.9	14	27.8	17.0
Avon Products	61	27.7	19.0	16	27.3	19.5
Dorchester Gas	62	27.7	12.1	155	17.0	7.8
Parker Drilling	63	27.6	24.6	140	17.5	15.6
Ashland Oil	64	27.5%	14.5%	267	14.4%	9.0%
E F Hutton Group	65	27.5	17.9	27	24.0	16.8
Pennzoil	66	27.4	17.1	309	13.6	9.7
Kellogg	67	27.4	27.3	38	22.9	23.2
Natl Convenience Stores	68	27.3	24.2	256	14.6	12.7
Dover	69	27.0	24.1	29	23.6	22.0
Fairchild Industries	70	26.8	8.0	96	19.2	5.2
Northwest Industries	71	26.7	28.0	202	15.4	15.9
Allied Bancshares	72	26.7	31.8	36	23.0	25.0
Melville	73	26.6	21.6	23	25.0	20.0
LTV	74	26.6	4.4	421	11.9	4.4
Levi Strauss	75	26.3	13.2	33	23.3	12.3
AMP	76	26.0	19.0	46	22.4	16.8
Baker International	77	25.8	25.9	103	18.9	20.9
Bally Manufacturing	78	25.7	23.1	92	19.4	19.3
Big V Supermarkets	79	25.7	23.4	157	16.9	16.7
Trinity Industries	80	25.7	13.0	79	20.1	10.9
Hilton Hotels	81	25.5	17.6	113	18.6	14.2
Entex	82	25.5	21.6	334	13.3	11.5
Gelco	82	25.5	13.6	674	8.6	8.4
Savin	84	25.5	def	21	25.6	def
Electronic Data Systems	85	25.0	28.3	50	22.1	23.3
Houston Natural Gas	85	25.0	24.8	202	15.4	16.6
Petrie Stores	87	24.9	19.2	25	24.7	19.0
Boeing	88	24.9	11.2	59	21.2	8.3
Kaneb Services	89	24.8	28.2	286	14.0	14.6
Petrolane	90	24.8	23.9	126	17.9	17.4
Freeport-McMoran	91	24.6	15.4	145	17.3	8.6
Pioneer Hi-Bred Intl	92	24.6	25.0	55	21.5	23.7
Snap-On Tools	93	24.5	18.5	57	21.2	16.5
Cross & Trecker	94	24.4	20.6	40	22.7	19.5
Raytheon	95	24.4	21.3	37	23.0	20.7
Nalco Chemical	96	24.3	20.8	30	23.6	20.3
Foster Wheeler	97	24.3	19.2	70	20.8	18.0
Lubrizol	98	24.3	12.6	42	22.5	11.3
Albertson's	99	24.3	22.8	280	14.1	14.2
Fort Howard Paper	100	24.2	22.9	105	18.9	18.2
Lear Siegler	100	24.2	17.0	230	15.0	12.9
Washington Post	102	24.2	22.5	95	19.3	18.2
Cooper Industries	103	24.2	17.9	68	20.9	14.8
ConAgra	104	24.0	22.6	171	16.4	16.2
PHH Group	105	23.9	20.2	878	6.0	7.4
Belco Petroleum	106	23.8	20.2	114	18.5	15.4
Waste Management	107	23.8	23.7	148	17.3	18.4
Dillon Cos	108	23.7	25.6	165	16.7	17.1
Piedmont Aviation	109	23.7	21.5	496	10.9	11.3
Philip Morris	110	23.6	22.9	323	13.5	12.1
Masco	111	23.5	19.9	269	14.3	13.0
U S Air	112	23.5	16.9	411	12.1	9.9
Merck	113	23.5	20.4	76	20.2	17.1
Service Merchandise	114	23.4	17.2	205	15.4	13.3
Abbott Laboratories	115	23.4	24.0	103	18.9	19.8
Maytag	116	23.3	18.3	48	22.2	17.2
McDonald's	116	23.3	21.5	330	13.4	13.2
Dayton-Hudson	118	23.3	15.4	127	17.9	12.4
Cameron Iron Works	119	23.3	25.3	177	16.2	17.3
Square D	119	23.3	16.0	107	18.9	13.2
Brunswick	121	23.1	72.4	355	13.0	30.9
IU International	121	23.1	9.7	572	9.9	7.0
Beverly Enterprises	123	23.1	15.5	485	10.9	9.0
Lucky Stores	124	23.1	16.5	290	14.0	10.7
Coca-Cola	125	23.0	21.3	56	21.3	19.5
Loews	125	23.0	18.7	405	12.2	11.4

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
American Intl Group	127	22.9%	20.2%	53	21.6%	19.5 %
Ohio Casualty	128	22.9	13.7	43	22.5	13.6
SEDCO	129	22.8	63.9	297	13.8	34.2
Dean Foods	130	22.8	22.4	166	16.7	16.7
Frontier Holdings	131	22.8	18.4	251	14.7	12.3
Crum & Forster	132	22.8	15.3	52	22.0	14.8
Cabot	133	22.6	14.4	229	15.0	10.6
General Cinema	134	22.6	25.7	288	14.0	15.4
General Re	134	22.6	20.5	51	22.1	20.4
Republic New York	136	22.6	19.6	232	14.9	14.4
Esmark	137	22.6	14.0	319	13.5	10.1
Old Republic Intl	138	22.6	18.6	49	22.1	16.0
MAPCO	139	22.5	15.3	395	12.4	8.6
Capital Cities Commun	140	22.5	20.1	124	17.9	16.8
Chic & North Western	141	22.5	def	795	7.2	1.7
PepsiCo	142	22.5	21.8	173	16.4	15.8
Minn Mining & Mfg	143	22.4	18.6	93	19.4	16.4
IBM	144	22.4	20.8	62	20.9	18.4
Intl Flavors & Frag	144	22.4	18.6	61	20.9	17.8
Bristol-Myers	146	22.4	21.9	71	20.7	20.7
Turner Construction	147	22.3	26.4	73	20.6	17.2
VF	148	22.3	30.7	108	18.8	26.1
MGM Grand Hotels	149	22.3	12.0	465	11.3	8.2
Missouri Pacific	150	22.3	16.5	468	11.2	9.2
Std Comml Tobacco	151	22.2	21.0	146	17.3	18.0
Whittaker	152	22.1	20.2	117	18.2	20.3
Sundstrand	153	22.1	17.1	226	15.0	13.0
Natomas	154	22.1	9.0	195	15.6	6.0
Fluor	155	22.1	11.5	144	17.4	7.6
Eli Lilly	156	21.9	21.1	62	20.9	19.2
Caesars World	157	21.9	0.6	584	9.8	4.2
Consol Freightways	157	21.9	12.5	136	17.6	10.4
Tidewater	159	21.9	21.6	266	14.4	13.0
Smith International	160	21.8	18.9	118	18.2	15.4
American Stores	161	21.8	23.1	205	15.4	12.2
Halliburton	161	21.8	18.4	121	18.1	15.4
McGraw-Hill	161	21.8	21.3	89	19.6	19.6
Wyman-Gordon	164	21.8	24.6	124	17.9	21.3
Palm Beach	165	21.8	8.5	224	15.1	7.2
Supermarkets General	166	21.8	22.0	457	11.4	12.9
Gannett	167	21.8	21.2	122	18.0	16.2
Savannah Foods	168	21.7	35.3	272	14.2	24.4
American Brands	169	21.7	19.7	185	15.9	15.1
CNA Financial	169	21.7	13.9	390	12.4	11.0
Hughes Tool	171	21.7	18.0	128	17.8	12.8
Vulcan Materials	172	21.6	15.8	198	15.5	12.1
Brown-Forman Dist	173	21.6	25.7	168	16.6	20.8
Louisiana Land	174	21.6	8.7	156	17.0	5.5
Rite Aid	175	21.6	19.7	100	19.1	18.1
Emerson Electric	176	21.5	20.2	82	20.0	19.5
Chesebrough-Pond's	177	21.4	20.2	140	17.5	17.2
Reading & Bates	177	21.4	23.0	323	13.5	13.3
American Standard	179	21.4	6.8	219	15.2	5.7
Cullum Companies	179	21.4	16.9	414	12.1	10.2
Valero Energy	181	21.3	24.4	511	10.6	11.3
Atlantic Richfield	182	21.3	19.7	313	13.6	12.1
Blount	183	21.3	17.1	343	13.2	11.5
Murphy Oil	184	21.2	19.8	352	13.0	13.0
Anixter Bros	185	21.2	19.4	192	15.7	14.4
Upjohn	186	21.2	15.3	199	15.5	10.9
Auto Data Processing	187	21.1	17.3	131	17.7	13.9
Cincinnati Milacron	188	21.0	9.0	240	14.8	7.4
Roadway Services	189	21.0	18.1	85	19.9	17.7
USF&G	190	21.0%	8.5%	60	21.1%	8.6%
Revco D S	191	21.0	19.3	133	17.7	16.4
Combustion Eng	192	20.9	21.7	315	13.5	14.5
R J Reynolds Inds	193	20.9	21.6	228	15.0	15.5
Intel	194	20.9	5.2	77	20.2	4.4
First Boston	195	20.8	37.1	64	20.9	37.7
Ryder System	195	20.8	16.5	608	9.6	8.7
Genuine Parts	197	20.8	18.6	65	20.9	21.3
CBI Industries	198	20.8	22.5	151	17.1	17.2
Rohr Industries	198	20.8	18.9	601	9.6	12.1
Natl Medical Entrprs	200	20.8	19.3	455	11.4	11.8
NL Industries	200	20.8	24.4	207	15.4	17.4
Weis Markets	202	20.8	19.8	69	20.8	19.9
Combined Internatl	203	20.7	17.1	74	20.5	17.4
American Express	204	20.7	20.3	128	17.8	16.3
Crown Central Petroleum	205	20.7	8.5	377	12.6	5.9
A C Nielsen	206	20.7	22.8	78	20.1	20.8
General Instrument	207	20.6	20.5	139	17.5	18.3
Interpublic Group	208	20.6	15.6	90	19.5	15.2
Amer Broadcasting	209	20.6	16.7	160	16.8	14.0
Texas Commerce Bshs	210	20.6	22.0	99	19.1	20.0
Winn-Dixie Stores	211	20.6	20.3	138	17.5	17.7
Pay Less Drug NW	212	20.5	18.7	322	13.5	10.8
Phillips Petroleum	212	20.5	11.8	186	15.8	9.1
Consolidated Papers	214	20.5	12.6	135	17.6	10.9
Ametek	215	20.4	18.7	219	15.2	13.6
General Electric	216	20.4	19.2	120	18.2	17.7
Johnson & Johnson	217	20.4	21.1	88	19.6	20.0
Rollins	218	20.3	17.7	152	17.1	14.7
Briggs & Stratton	219	20.3	15.9	87	19.7	15.1
Leaseway Transportation	220	20.3	12.5	535	10.3	8.3
Times Mirror	220	20.3	14.9	162	16.8	10.9
Arkla	222	20.3	21.6	516	10.5	11.4
G D Searle	223	20.2	25.0	232	14.9	19.9
Edison Bros Stores	224	20.1	10.3	167	16.6	8.9
Payless Cashways	225	20.1	20.0	209	15.4	18.9
Longs Drug Stores	226	20.1	17.4	83	20.0	16.9
Holly Corp	227	20.1	18.8	263	14.4	12.3
Mercantile Texas	227	20.1	19.6	163	16.8	20.7
Panhandle Eastern	227	20.1	17.9	518	10.5	9.2
Parker Pen	227	20.1	0.9	102	19.0	1.9
Eastman Kodak	231	20.0	16.3	106	18.9	15.4
Engelhard	232	20.0	17.5	123	17.9	16.2
Sun Chemical	233	19.9	7.2	361	12.8	6.2
Union Oil California	233	19.9	19.8	299	13.8	14.1
National Svc Inds	235	19.9	18.8	147	17.3	16.5
Schering-Plough	236	19.8	13.9	109	18.7	11.7
Farm House Foods	237	19.8	16.3	493	10.9	6.9
Harris Corp	237	19.8	11.5	269	14.5	8.0
Handy & Harman	239	19.8	9.1	325	13.5	7.3
Hewlett-Packard	240	19.8	19.5	98	19.1	18.7
Marriott	241	19.8	20.8	525	10.5	10.2
Lockheed	242	19.7	128.6	673	8.7	31.3
Kemper	243	19.7	11.7	81	20.0	12.1
SONAT	243	19.7	20.9	453	11.5	11.3
Oneok	245	19.6	19.9	457	11.4	12.6
Big Three Industries	246	19.6	18.0	236	14.9	12.8
Walgreen	246	19.6	22.0	264	14.4	17.4
Idle Wild Foods	248	19.6	17.5	190	15.7	15.0
Centex	249	19.6	8.9	692	8.4	5.3
Tyler	249	19.6	9.8	249	14.7	7.0
Procter & Gamble	251	19.6	20.2	213	15.3	15.5
Niagara Frontier Services	252	19.6	14.1	332	13.3	10.3

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity rank	Return on equity 5-year average*	Return on equity latest 12 months	Return on capital rank	Return on capital 5-year average*	Return on capital latest 12 months
Datapoint	253	19.6%	0.7%	65	20.9%	2.3%
Exxon	254	19.5	15.0	262	14.4	10.6
Standard Oil Indiana	255	19.5	16.9	295	13.8	11.5
United States Shoe	255	19.5	18.3	194	15.6	15.4
PACCAR	257	19.5	8.0	115	18.3	7.6
Litton Industries	258	19.5	22.6	283	14.0	17.4
W W Grainger	259	19.4	15.8	101	19.0	14.9
Anheuser-Busch Cos	260	19.4	21.9	466	11.3	11.6
Hospital Corp of Am	260	19.4	18.4	529	10.4	8.7
CPC International	261	19.4	18.5	196	15.6	14.1
Morton Thiokol	263	19.3	33.4	245	14.8	27.1
Transco Energy	263	19.3	20.9	715	8.1	9.0
Amer Medical Intl	265	19.2	21.2	439	11.6	13.1
Sysco	265	19.2	20.3	235	14.9	16.0
Alco Standard	267	19.2	17.3	279	14.1	12.8
Equifax	268	19.2	19.1	169	16.5	15.9
M/A-Com	268	19.2	11.8	91	19.4	9.2
Pitney Bowes	268	19.2	15.5	305	13.6	10.6
Flowers Industries	271	19.2	19.6	384	12.5	13.0
Purolator	272	19.1	23.5	269	14.3	16.4
TRW	273	19.1	14.0	388	12.5	9.2
Bendix	274	19.1	9.0	236	14.9	7.9
Hanover Insurance	274	19.1	12.9	111	18.6	12.8
Standard Oil Calif	276	19.1	12.0	216	15.2	9.6
Hershey Foods	277	19.1	19.8	244	14.8	14.1
Kimberly-Clark	277	19.1	15.7	253	14.6	12.7
Aetna Life & Casualty	279	19.0	14.3	142	17.4	14.2
Farmers Group	280	19.0	17.0	109	18.7	16.8
Natl Semiconductor	281	18.9	def	254	14.6	def
Denny's	282	18.9	18.2	498	10.8	11.0
R H Macy	283	18.8	19.6	348	13.1	14.4
Texas Eastern	284	18.8	16.1	597	9.7	7.9
Shell Oil	285	18.8	17.6	347	13.2	11.8
Sun Company	285	18.8	11.0	338	13.2	7.6
Giant Food	287	18.8	26.7	449	11.5	15.3
Hannaford Bros	287	18.8	21.9	533	10.4	12.2
Getty Oil	289	18.8	14.9	240	14.8	11.1
Tektronix	290	18.7	12.1	175	16.3	10.3
General Mills	291	18.7	18.3	260	14.5	14.5
InterFirst	292	18.7	18.3	212	15.3	15.6
Texas Gas Transmn	293	18.7	17.6	525	10.5	10.2
Universal Leaf	293	18.7	18.6	178	16.1	13.7
Gates Learjet	295	18.6	10.1	180	16.0	10.3
Nabisco Brands	295	18.6	19.4	341	13.2	13.8
H H Robertson	297	18.6	19.2	255	14.6	17.0
Browning-Ferris Inds	298	18.5	20.7	390	12.4	14.5
Avnet	299	18.5	14.4	150	17.1	14.0
Zurn Industries	299	18.5	17.3	320	13.5	13.1
Mobil	301	18.4	10.7	327	13.4	8.2
Carlice-Burns	302	18.4	18.8	634	9.2	9.7
Perkin-Elmer	302	18.4	11.6	172	16.4	10.5
Dexter	304	18.4	15.0	305	13.6	10.8
Bergen Brunswig	305	18.4	22.1	274	14.2	15.6
Revlon	306	18.3	10.1	207	15.4	8.3
InterNorth	307	18.3	15.1	525	10.5	9.2
EF/SERCH	308	18.3	18.0	493	10.9	11.2
Marsh Supermarkets	309	18.3	16.9	548	10.2	9.4
Merrill Lynch	309	18.3	18.2	202	15.4	14.9
Republic Finl Svcs	309	18.3	15.0	251	14.7	13.4
Alcan Aluminium	312	18.2	4.2	410	12.1	3.4
Am Natural Resources	313	18.2	21.7	639	9.1	9.5
Illinois Tool Works	314	18.2	14.3	134	17.7	13.6
Seaboard	315	18.2	26.1	356	12.9	17.6
Air Prods & Chems	316	18.1%	13.6%	512	10.6%	8.3%
Amerada Hess	317	18.1	7.0	360	12.8	4.6
Jack Eckerd	318	18.1	14.6	136	17.6	14.4
Gillette	319	18.1	17.7	313	13.6	13.0
First City Bancorp	320	18.1	16.9	154	17.1	16.6
H J Heinz	321	18.1	19.5	290	14.0	15.7
Moore Corp	322	18.0	14.5	231	15.0	12.8
NCR	323	18.0	12.4	242	14.8	11.2
Centel	324	18.0	17.5	739	7.9	7.7
Fleming Cos	325	18.0	18.3	375	12.6	12.8
St Paul Cos	325	18.0	16.2	174	16.3	15.1
Southern Union	327	18.0	9.1	541	10.3	6.8
Dresser Industries	328	17.9	13.2	257	14.6	11.7
American General	329	17.9	15.2	217	15.2	14.6
Tyson Foods	330	17.9	20.1	424	11.8	11.5
Federal-Mogul	331	17.9	13.1	293	13.9	9.5
Chubb	332	17.9	11.5	164	16.7	10.7
Clorox	332	17.9	18.1	242	14.8	15.0
Nordstrom	332	17.9	16.1	361	12.8	11.1
Baxter Travenol Labs	335	17.8	18.1	284	14.0	14.8
Heck's	336	17.8	14.0	392	12.4	9.6
Bausch & Lomb	337	17.8	16.2	236	14.9	14.2
Carnation	337	17.8	18.1	246	14.7	15.3
Warnaco	337	17.8	19.0	382	12.6	14.4
Stewart & Stevenson	340	17.8	16.2	359	12.8	11.4
Scott & Fetzer	341	17.8	15.0	277	14.1	11.6
Data General	342	17.8	5.0	218	15.2	5.0
Meredith	342	17.8	17.1	405	12.2	11.5
Tecumseh Products	344	17.7	12.8	130	17.7	12.7
Earle M Jorgensen	345	17.7	11.8	213	15.3	10.5
Harvey Hubbell	346	17.7	17.5	153	17.1	16.5
United Telecom	346	17.7	13.5	714	8.1	6.9
Martin Marietta	348	17.7	11.5	358	12.9	6.7
Northrop	348	17.7	2.0	199	15.5	2.0
Rockwell Intl	348	17.7	17.4	310	13.6	14.5
Milton Bradley	351	17.6	10.2	234	14.9	9.6
Amsted Industries	352	17.6	4.7	149	17.2	4.5
Sonoco Products	352	17.6	14.4	268	14.4	11.6
Southwestern Pub Svc	352	17.6	19.2	743	7.8	8.1
Malone & Hyde	355	17.5	16.9	274	14.2	12.7
Digital Equipment	356	17.5	13.0	184	15.9	12.7
CBS	357	17.5	9.4	225	15.1	7.9
Raychem	358	17.5	11.2	182	16.0	10.0
MCA	359	17.5	16.2	180	16.0	15.6
Valley National	360	17.4	12.4	159	16.8	12.5
Best Products	361	17.4	8.7	509	10.6	6.7
Kansas-Neb Nat Gas	361	17.4	15.9	667	8.8	8.0
Carpenter Technology	363	17.4	9.1	179	16.1	7.8
U S Bancorp	363	17.4	14.2	326	13.4	11.2
Pillsbury	365	17.3	16.1	449	11.5	11.0
Xerox	365	17.3	12.9	226	15.0	11.2
Pfizer	367	17.3	18.1	311	13.6	14.1
Bank of New England	368	17.3	16.5	365	12.7	13.2
Seaway Food Town	369	17.3	12.2	478	11.0	8.1
General Foods	370	17.2	17.3	292	14.0	12.6
Mattel	370	17.2	29.9	193	15.7	20.7
Economics Laboratory	372	17.2	16.2	332	13.3	11.5
Hyster	373	17.2	3.2	264	14.4	3.3
New York Times	374	17.1	19.8	247	14.7	14.7
Pacific Resources	375	17.1	6.6	559	10.1	5.0
Bangor Punta	376	17.1	1.1	581	9.8	2.7
Johnson Controls	377	17.0	15.0	271	14.3	12.4
Emhart	378	17.0	17.5	236	14.9	15.5

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
Kroger	379	17.0%	18.4%	441	11.6%	11.3%
Transamerica	380	17.0	11.4	489	10.9	8.1
Wheelabrator-Frye	381	17.0	13.5	288	14.0	11.4
RepublicBank	382	16.9	18.2	258	14.6	16.6
Safeco	382	16.9	12.8	293	13.9	10.9
Foremost-McKesson	384	16.9	13.3	478	11.0	9.3
Univar	385	16.9	9.4	531	10.4	6.3
Security Pacific	386	16.8	15.5	301	13.7	11.2
Southland	386	16.8	16.9	557	10.1	10.9
Intl Minerals & Chem	388	16.8	12.5	453	11.5	8.8
Brown Group	389	16.8	17.2	303	13.7	14.4
Knight-Ridder News	390	16.7	14.0	210	15.4	12.3
Union Camp	390	16.7	12.0	415	12.1	8.8
Witco Chemical	390	16.7	11.3	445	11.6	8.0
Parker-Hannifin	393	16.7	10.1	308	13.6	8.6
Consolidated Foods	394	16.7	18.2	385	12.5	12.7
United Technologies	394	16.7	13.3	369	12.7	10.0
Whirlpool	394	16.7	14.9	221	15.1	14.0
Tenneco	397	16.7	14.6	599	9.6	7.6
Pneumo	398	16.7	21.3	474	11.1	12.7
Universal Foods	399	16.7	19.6	351	13.0	14.0
Bankers Trust NY	400	16.6	18.0	338	13.2	15.2
Superior Oil	401	16.6	12.4	470	11.2	6.4
Fleet Financial	402	16.5	18.0	485	10.9	10.6
Texas Instruments	402	16.5	11.0	175	16.3	10.3
General Signal	404	16.5	15.4	196	15.6	14.2
Stanadyne	405	16.5	11.8	298	13.8	9.8
Quaker Oats	406	16.5	12.7	422	11.9	9.3
Dow Chemical	407	16.5	7.9	540	10.3	5.7
W R Grace	408	16.4	16.8	456	11.4	10.9
E-Systems	409	16.4	19.4	191	15.7	18.1
American Family	410	16.4	10.5	222	15.1	7.2
Morrison-Knudsen	410	16.4	13.9	336	13.2	11.1
Stauffer Chemical	410	16.4	13.4	452	11.5	9.6
Suburban Propane Gas	410	16.4	14.6	545	10.2	9.5
Jewel Cos	414	16.4	18.2	543	10.3	11.3
First Interstate Bancp	415	16.3	13.6	341	13.2	11.4
Alleghany	416	16.3	15.3	299	13.8	12.2
First Security	417	16.2	15.6	431	11.7	11.6
Sterling Drug	418	16.2	15.5	259	14.5	13.8
Ball Corp	419	16.2	17.2	478	11.0	11.1
Ogden	420	16.2	11.5	669	8.7	6.8
A E Staley Mfg	421	16.2	12.6	463	11.3	8.8
American Petrofina	422	16.2	10.4	471	11.2	8.0
Athlone Industries	422	16.2	5.6	619	9.5	6.0
Norton	422	16.2	5.6	320	13.5	5.4
Archer Daniels Midland	425	16.1	12.2	365	12.7	9.8
Blue Bell	425	16.1	8.7	273	14.2	8.4
Caterpillar Tractor	427	16.1	3.4	365	12.7	3.3
Mercantile Bancorp	428	16.0	16.6	381	12.6	13.7
Travelers	429	16.0	11.1	211	15.3	10.9
Amer Hospital Supply	430	16.0	19.4	296	13.8	16.6
Sigmor	430	16.0	def	407	12.2	def
McCormick	432	16.0	16.8	369	12.7	13.9
U S Home	432	16.0	def	716	8.1	def
Peoples Drug Stores	434	16.0	15.6	372	12.7	12.4
United States Gypsum	434	16.0	7.1	445	11.6	5.8
Beatrice Foods	436	16.0	13.2	379	12.6	10.5
Fischbach	437	15.9	18.9	373	12.7	13.6
Harsco	438	15.9	11.7	343	13.2	9.6
Marion	438	15.9	def	518	10.5	def
Norfolk Southern	440	15.9	14.8	595	9.7	9.3
United Virginia Bshs	441	15.9	16.0	471	11.2	12.1
Figgie International	442	15.9%	16.6%	649	9.0%	9.8%
Oak Industries	443	15.8	11.1	215	15.2	11.5
Barnett Banks Fla	444	15.8	15.4	357	12.9	12.4
Zapata	445	15.8	25.9	671	8.7	13.0
E I du Pont	446	15.7	9.8	364	12.7	6.7
Northwest Energy	447	15.7	5.0	677	8.6	3.8
BankAmerica	448	15.7	10.4	380	12.6	9.2
Texaco	449	15.7	10.7	434	11.7	8.7
Gordon Jewelry	450	15.7	10.9	345	13.2	9.4
Westinghouse Electric	451	15.6	15.8	315	13.5	13.4
Avco	452	15.6	6.2	824	6.8	5.2
Kidde	453	15.6	14.1	562	10.0	9.4
J P Morgan	454	15.6	15.5	307	13.6	14.5
North American Coal	454	15.6	26.3	827	6.8	6.9
Diversified Energies	456	15.6	14.2	575	9.9	10.1
Gulf & Western Inds	457	15.6	8.2	660	8.8	6.7
Motorola	458	15.6	11.0	302	13.7	10.4
Stone Container	458	15.6	8.9	623	9.4	4.9
Gerber Products	460	15.5	14.0	286	14.0	12.8
USLIFE	461	15.5	12.4	397	12.4	10.0
Gulf United	462	15.5	13.6	369	12.7	9.7
Provident Life & Acc	463	15.5	11.0	201	15.4	10.9
R R Donnelley & Sons	464	15.5	15.4	304	13.7	13.1
Flickinger	464	15.5	16.8	352	13.0	15.0
Joy Manufacturing	466	15.4	17.0	336	13.2	14.5
First Union	467	15.4	15.3	441	11.6	12.5
Mercantile Stores	467	15.4	16.3	407	12.2	13.0
NCNB	469	15.4	15.0	436	11.6	12.7
Citicorp	470	15.4	16.7	535	10.3	9.6
Dennison Mfg	471	15.3	11.0	334	13.3	9.4
Texas American Bshs	472	15.3	16.6	317	13.5	14.9
Wm Wrigley Jr	473	15.3	14.8	247	14.7	14.3
Southwest Bancshares	474	15.3	17.7	249	14.7	19.8
Ethyl	475	15.3	12.5	524	10.5	9.4
Pittsburgh National	476	15.2	15.7	278	14.1	13.7
City Investing	477	15.2	8.9	586	9.8	8.7
Diamond Shamrock	478	15.2	12.6	586	9.8	8.0
NICOR	478	15.2	10.7	704	8.2	5.9
Public Service Indiana	480	15.2	19.6	764	7.5	8.6
Honeywell	481	15.2	14.0	417	12.0	10.6
Avery International	482	15.1	15.0	487	10.9	10.6
Business Men's Assur	483	15.1	9.2	284	14.0	9.0
Stop & Shop Cos	484	15.1	20.1	641	9.1	12.3
Stanley Works	485	15.1	9.9	377	12.6	8.8
Waldbaum	486	15.1	17.8	564	10.0	11.6
Mead	487	15.0	1.1	610	9.6	1.4
American Greetings	488	15.0	15.2	459	11.4	10.5
Campbell Soup	489	15.0	14.9	340	13.2	12.2
Commercial Metals	490	15.0	9.3	426	11.8	7.8
Thrifty Corp	491	15.0	15.4	487	10.9	11.1
Brooklyn Union Gas	492	14.9	16.7	664	8.8	10.1
Transway Intl	492	14.9	10.7	398	12.4	9.5
Wells Fargo	492	14.9	13.7	449	11.5	9.7
Irving Bank	495	14.9	12.9	436	11.6	10.8
Insilco	496	14.9	7.5	593	9.7	6.1
Signal Cos	497	14.9	8.8	459	11.4	7.1
Nash Finch	498	14.9	13.3	419	12.0	10.6
Central & South West	499	14.8	14.9	757	7.7	8.0
Maryland Cup	499	14.8	14.2	504	10.7	10.7
Ruddick	499	14.8	14.2	538	10.3	10.2
Knudsen	502	14.8	10.9	628	9.3	7.6
Peoples Energy	503	14.7	15.0	782	7.3	7.6
Time Inc	504	14.7	11.6	425	11.8	9.1

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
First Natl Supermkts	505	14.7%	17.1%	531	10.4%	10.7%
Seagram	506	14.7	11.1	505	10.7	7.0
Texas Utilities	506	14.7	16.7	717	8.1	8.9
Continental Telecom	508	14.7	14.7	761	7.6	7.5
George A Hormel	509	14.7	11.6	373	12.7	8.8
Colgate-Palmolive	510	14.7	16.0	396	12.4	13.1
Dibrell Brothers	510	14.7	20.5	435	11.7	13.3
Hoover Universal	510	14.7	9.4	476	11.0	7.5
A H Robins	513	14.6	14.9	365	12.7	13.4
Culbro	514	14.6	7.9	620	9.4	8.0
Intl Multifoods	515	14.6	16.4	493	10.9	12.1
Moore McCormack Res	516	14.6	6.7	644	9.1	5.3
Ex-Cell-O	517	14.6	13.2	345	13.2	11.3
Dana	518	14.6	7.3	416	12.1	6.6
Newmont Mining	519	14.5	3.1	555	10.1	2.4
Manufacturers Hanover	520	14.5	14.1	447	11.6	11.5
Foxboro	521	14.5	15.1	328	13.4	14.0
Alcoa	522	14.5	1.8	551	10.2	2.3
MGM/UA Entertainment	523	14.5	9.8	448	11.6	6.9
Lowe's Companies	524	14.4	12.7	433	11.7	11.0
Ingersoll-Rand	525	14.4	9.3	482	11.0	7.7
Girard	526	14.4	12.7	464	11.3	11.0
Becton, Dickinson	527	14.4	13.3	412	12.1	10.6
Rainier Bancorp	527	14.4	12.2	350	13.1	11.2
First Natl Boston	529	14.4	14.6	508	10.6	11.7
Acme-Cleveland	530	14.4	9.5	490	10.9	7.6
Federal Paper Board	530	14.4	16.2	731	7.9	6.7
Southeast Banking	530	14.4	12.8	482	11.0	10.3
Cessna Aircraft	533	14.4	5.2	399	12.3	4.9
First Bank System	534	14.3	11.5	417	12.0	9.8
New England Electric	534	14.3	16.2	840	6.7	6.9
TECO Energy	534	14.3	10.9	836	6.7	5.6
GTE	537	14.3	15.1	774	7.4	7.8
Midcon	538	14.3	14.3	655	8.9	9.4
Union Pacific	538	14.3	12.0	629	9.2	7.2
Northwest Bancorp	540	14.3	10.8	461	11.3	9.2
Borg-Warner	541	14.2	13.7	363	12.8	12.3
Continental Illinois	541	14.2	6.3	402	12.2	6.7
Kerr-McGee	543	14.2	13.3	584	9.8	8.0
Crown Cork & Seal	544	14.2	9.1	388	12.5	7.9
Morse Shoe	545	14.2	4.9	385	12.5	4.9
Dart & Kraft	546	14.2	9.0	429	11.8	7.6
Wachovia	547	14.1	13.6	311	13.6	13.2
Wisconsin Pwr & Lt	547	14.1	18.1	790	7.3	8.6
Chemical New York	549	14.1	15.1	506	10.7	12.7
Gt Northern Nekoosa	549	14.1	10.9	549	10.2	8.0
Saga	551	14.1	21.3	512	10.6	14.8
Houston Industries	552	14.1	15.5	754	7.7	8.0
Federal Co	553	14.1	11.9	383	12.5	10.9
Capital Holding	554	14.0	14.2	282	14.0	11.7
Arizona Public Service	555	14.0	15.4	679	8.6	9.3
Echlin	555	14.0	13.4	441	11.6	11.6
Bank of New York	557	14.0	16.2	375	12.6	14.1
No States Power	557	14.0	16.6	824	6.8	7.8
PPG Industries	559	14.0	9.3	518	10.5	7.3
Federated Dept Stores	560	13.9	11.1	432	11.7	9.2
Westvaco	560	13.9	8.9	603	9.6	6.6
Chase Manhattan	562	13.9	11.3	500	10.8	10.1
Kaiser Alum & Chem	563	13.9	def	689	8.4	0.7
Columbia Gas System	564	13.9	13.5	751	7.8	7.7
International Paper	564	13.9	4.5	589	9.8	3.9
First Natl State Bcp	566	13.9	16.2	430	11.7	14.0
Circle K	567	13.8	def	592	9.7	def

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
Quaker State Oil	567	13.8%	15.9%	595	9.7%	11.0%
Pay'n Save	569	13.8	8.8	547	10.2	6.4
North Amer Philips	570	13.8	9.6	601	9.6	6.6
May Dept Stores	571	13.8	13.5	612	9.6	9.4
Maryland National	572	13.8	13.6	444	11.6	12.0
Laclede Gas	573	13.7	14.6	753	7.7	8.5
Consol Natural Gas	574	13.7	14.6	697	8.3	9.0
Harcourt Brace Jovan	575	13.7	11.8	575	9.9	8.7
Kay	576	13.7	def	624	9.3	0.6
United Illuminating	577	13.7	18.4	734	7.9	10.2
Allegheny Intl	578	13.7	6.1	691	8.4	6.2
Amdahl	578	13.7	3.3	276	14.2	3.6
N Y State Elec & Gas	578	13.7	16.4	736	7.9	9.3
Wisconsin Public Svc	581	13.6	13.5	819	6.9	6.3
Greyhound	582	13.6	11.7	561	10.0	9.3
National City	583	13.6	11.4	329	13.4	10.1
Ralston Purina	584	13.6	5.8	562	10.0	4.8
Duke Power	585	13.6	13.6	779	7.4	7.6
Safeway Stores	585	13.6	13.0	656	8.9	8.4
K mart	587	13.5	8.5	610	9.6	6.7
Colonial Penn Group	588	13.5	8.2	317	13.5	8.2
White Consolidated	588	13.5	5.2	644	9.1	5.1
Interco	590	13.5	9.8	412	12.1	8.9
Pacific Lighting	591	13.5	12.1	734	7.9	7.6
Empire	592	13.5	12.2	654	8.9	7.4
Alexander & Baldwin	593	13.5	11.1	603	9.6	8.1
FMC	594	13.4	12.3	573	9.9	9.2
Cone Mills	595	13.4	5.4	404	12.2	5.1
Crocker National	595	13.4	5.1	545	10.2	5.6
Butler Manufacturing	597	13.4	6.9	461	11.3	6.0
Kansas Power & Light	598	13.4	15.1	806	7.1	7.7
Trane	599	13.4	11.0	496	10.9	8.9
Squibb	600	13.3	13.4	521	10.5	10.5
McGraw-Edison	601	13.3	11.0	427	11.8	8.9
ACF Industries	602	13.3	12.2	766	7.5	6.7
Jefferson-Pilot	603	13.3	10.7	349	13.1	10.7
Delta Air Lines	604	13.3	def	749	7.8	def
Ferro	604	13.3	6.0	423	11.8	6.0
Florida Power & Lt	606	13.3	14.6	834	6.7	7.1
Gulf Oil	606	13.3	9.3	498	10.8	7.2
Easco	608	13.2	14.0	618	9.5	10.5
Long Island Lighting	608	13.2	14.0	682	8.5	9.4
Bucyrus-Erie	610	13.2	6.6	502	10.8	5.2
Rohm & Haas	610	13.2	10.6	549	10.2	8.3
Copperweld	612	13.2	5.2	577	9.9	4.2
Indianapolis Pwr & Lt	612	13.2	12.8	819	6.9	6.8
Citizens & Sthrn Ga	614	13.2	15.7	401	12.3	14.3
Weyerhaeuser	615	13.2	4.6	603	9.6	4.3
American Tel & Tel	616	13.1	12.9	758	7.6	7.3
Dynalectron	616	13.1	20.1	490	10.9	15.6
Illinois Power	616	13.1	14.5	802	7.1	7.7
Thriftimart	616	13.1	8.0	475	11.0	7.2
Hercules	620	13.1	7.5	566	10.0	5.5
Continental Corp	621	13.1	7.8	402	12.2	7.7
Mountain Fuel Supply	622	13.0	15.4	692	8.4	9.3
Wisconsin Elec Power	622	13.0	16.2	797	7.2	8.3
Southern Calif Edison	624	13.0	15.4	742	7.8	8.9
Philadelphia Natl	625	13.0	15.2	554	10.1	12.0
Godfrey	626	13.0	9.9	629	9.2	7.6
Mellon National	627	13.0	14.3	473	11.2	11.5
Ideal Basic Inds	628	13.0	def	682	8.5	def
Liquid Air	628	13.0	10.7	569	10.0	8.5
Union Carbide	628	13.0	7.9	632	9.2	6.0

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
UGI	631	12.9%	11.3%	721	8.0%	7.3%
National Can	632	12.9	8.3	635	9.2	6.3
Norton Simon	632	12.9	9.6	664	8.8	6.5
Pacific Pwr & Lt	634	12.9	14.6	782	7.3	7.9
General Dynamics	635	12.8	9.2	593	9.7	7.0
Centerre Bancorp	636	12.8	10.3	426	11.9	9.1
Commonwealth Energy	637	12.8	11.0	856	6.4	5.2
GATX	638	12.8	6.8	891	5.7	4.0
Borden	639	12.8	12.8	603	9.6	9.6
Paine Webber	639	12.8	24.5	525	10.5	17.2
Walter E Heller Intl	641	12.8	18.8	790	7.3	9.1
Midland-Ross	641	12.8	2.8	538	10.3	3.6
Eaton	643	12.8	5.7	657	8.9	5.0
Montana Power	644	12.8	14.8	770	7.5	7.8
Penn Central	645	12.8	10.6	613	9.5	8.0
Textron	646	12.7	8.2	503	10.7	7.4
Niagara Mohawk Power	647	12.7	15.7	768	7.5	8.9
Central Steel & Wire	648	12.7	3.5	387	12.5	3.5
Barnes Group	649	12.7	def	521	10.5	def
Torchmark	649	12.7	12.0	400	12.3	9.2
Georgia-Pacific	651	12.7	5.5	717	8.1	3.5
So New England Tel	651	12.7	12.2	795	7.2	6.9
Penn Traffic	653	12.7	9.8	578	9.9	7.8
Middle South Utils	654	12.7	13.7	811	7.0	7.7
Union Electric	654	12.7	14.0	856	6.4	6.3
First Wisconsin	656	12.6	12.3	535	10.3	10.5
Allegheny Power	657	12.6	16.1	821	6.9	8.4
Holiday Inns	657	12.6	8.3	551	10.2	7.7
Seafirst	657	12.6	def	438	11.6	def
Nashua	660	12.6	def	530	10.4	def
Sperry	660	12.6	6.7	581	9.8	5.9
Gould	662	12.6	9.6	590	9.7	8.3
Cleveland Elec Illum	663	12.5	15.6	776	7.4	8.7
McDonnell Douglas	664	12.5	11.2	394	12.4	11.0
Wetterau	665	12.5	10.1	541	10.3	7.5
Gulf States Utils	666	12.5	11.8	824	6.8	7.3
American Natl Ins	667	12.5	9.5	392	12.4	9.5
Central Ill Pub Svc	668	12.5	14.0	839	6.7	6.8
Pacific Gas & Elec	669	12.5	15.8	719	8.1	9.4
Carolina Pwr & Lt	670	12.4	13.0	833	6.8	6.9
Continental Group	670	12.4	9.5	650	9.0	7.1
Timken	670	12.4	4.5	439	11.6	4.2
Willamette Inds	670	12.4	def	590	9.7	1.3
RCA	674	12.4	9.9	573	9.9	7.8
Ceco	675	12.4	9.2	560	10.0	7.7
Cincinnati G & E	676	12.3	13.0	800	7.2	7.2
Lone Star Industries	676	12.3	def	641	9.1	2.2
Household Intl	678	12.3	3.9	844	6.7	5.6
Consolidated Edison	679	12.3	14.2	806	7.0	8.1
DEKALB AgResearch	680	12.3	5.1	615	9.5	4.9
American Cyanamid	681	12.3	9.2	613	9.5	7.6
Dillard Dept Stores	681	12.3	15.4	740	7.9	9.5
Ryan Homes	681	12.3	1.1	469	11.2	1.7
Penn Power & Light	684	12.3	13.4	821	6.9	6.9
Rochester Gas & Elec	685	12.3	14.9	776	7.4	8.8
Deere	686	12.2	3.9	571	9.9	3.7
Allied Stores	687	12.2	9.8	668	8.8	6.7
Hammermill Paper	688	12.1	9.5	747	7.8	5.9
Baltimore Gas & Elec	689	12.1	12.8	817	6.9	7.2
California First Bank	690	12.1	4.3	636	9.2	4.8
Michigan National	691	12.1	0.3	564	10.0	1.6
Eastern Gas & Fuel	692	12.1	14.9	789	7.3	8.3
Celanese	693	12.1	4.4	699	8.3	3.8
Comerica	693	12.1%	9.9%	467	11.3%	9.7%
National Gypsum	693	12.1	3.1	632	9.2	2.8
Super Food Services	693	12.1	11.5	651	8.9	8.1
Lincoln National	697	12.1	9.0	478	11.0	8.7
St Regis Paper	697	12.1	8.2	676	8.6	5.7
NBD Bancorp	699	12.0	11.1	484	11.0	10.2
West Point-Pepperell	699	12.0	11.8	599	9.6	9.6
Central Illinois Lt	701	12.0	14.5	882	5.8	6.4
J C Penney	701	12.0	13.6	586	9.8	10.4
Dayton Power & Light	703	12.0	15.2	772	7.4	8.5
Kansas City Pwr & Lt	703	12.0	13.1	874	6.1	6.6
National Fuel Gas	703	12.0	13.3	759	7.6	8.3
Allied Corp	706	12.0	11.6	712	8.2	8.4
Amfac	706	12.0	4.6	744	7.8	4.1
San Diego Gas & Elec	708	12.0	17.4	723	8.0	10.4
Fieldcrest Mills	709	11.9	4.3	637	9.2	4.1
Potomac Elec Power	709	11.9	12.9	827	6.8	7.0
Florida Progress	711	11.9	10.8	872	6.1	5.6
Ampco-Pittsburgh	712	11.9	def	428	11.8	2.7
Corning Glass Works	712	11.9	3.0	534	10.4	3.1
Raymond Intl	714	11.9	9.1	583	9.8	7.4
Zayre	714	11.9	13.8	709	8.2	9.3
Delmarva Power & Lt	716	11.9	13.7	805	7.1	7.6
Walt Disney	716	11.9	8.4	492	10.9	8.0
Washington National	718	11.9	7.7	501	10.8	7.5
Rexnord	719	11.9	2.7	555	10.1	3.5
Oklahoma Gas & Elec	720	11.8	16.2	861	6.3	8.0
Riegel Textile	720	11.8	5.8	660	8.8	5.0
Scott Paper	720	11.8	9.0	651	8.9	7.1
Pueblo International	723	11.8	11.5	706	8.2	8.5
Eagle-Picher Inds	724	11.8	5.5	603	9.6	4.9
Levitz Furniture	725	11.8	4.2	746	7.8	4.6
Coastal Corp	726	11.8	7.9	765	7.5	7.1
Royal Crown Cos	727	11.7	14.6	647	9.0	10.8
National Distillers	728	11.7	8.9	608	9.6	7.5
So Carolina E & G	729	11.7	10.9	870	6.2	6.1
Zale	729	11.7	1.1	507	10.6	2.3
Toledo Edison	731	11.6	13.5	779	7.4	8.0
CPS Continental	732	11.6	14.9	681	8.5	10.7
Hawaiian Electric	733	11.6	14.1	852	6.6	7.6
Gifford-Hill	734	11.6	def	615	9.5	3.2
Consumers Power	735	11.6	11.5	860	6.3	6.4
Potlatch	736	11.5	3.5	710	8.2	3.1
Warner-Lambert	737	11.5	13.8	670	8.7	9.7
ARA Services	738	11.5	7.8	657	8.9	6.6
Atlantic City Elec	739	11.5	9.9	831	6.8	6.2
Rose's Stores	740	11.5	10.3	553	10.2	9.4
Portland Genl Elec	741	11.4	17.5	800	7.2	9.4
Utah Power & Light	742	11.4	11.8	797	7.2	7.1
Owens-Corning Fibrgls	743	11.4	3.1	626	9.3	3.2
Perini	744	11.3	14.9	580	9.9	13.6
Pub Svc Elec & Gas	745	11.3	11.8	855	6.4	6.6
Boston Edison	746	11.3	9.2	893	5.6	5.3
Fisher Foods	746	11.3	6.3	776	7.4	7.7
Crane	748	11.3	2.6	727	8.0	4.3
Donaldson, Lufkin	748	11.3	14.8	516	10.5	12.1
Yellow Freight System	750	11.3	6.1	701	8.3	4.8
Monsanto	751	11.3	10.6	708	8.2	7.9
HRT Industries	752	11.2	0.4	827	6.8	3.7
Berkshire Hathaway	753	11.2	5.9	557	10.1	6.5
Intl Tel & Tel	754	11.2	10.4	647	9.0	8.1
AMAX	755	11.2	def	621	9.4	def
Scovill	755	11.2	9.6	631	9.2	8.5

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity rank	Return on equity 5-year average*	Return on equity latest 12 months	Return on capital rank	Return on capital 5-year average*	Return on capital latest 12 months
Owens-Illinois	757	11.1%	7.5%	740	7.9%	6.1%
Pennwalt	758	11.1	7.9	699	8.3	6.4
Southern Company	759	11.1	13.9	886	5.8	6.6
Champion Intl	760	11.1	0.9	771	7.5	2.4
Northern Trust	761	11.0	10.8	570	9.9	10.3
General Host	762	11.0	15.2	794	7.3	9.1
Hart Schaffner & Marx	763	11.0	12.7	598	9.7	10.8
Phila Electric	763	11.0	13.2	868	6.3	7.0
Commonwealth Edison	765	11.0	13.8	867	6.3	7.2
AmeriTrust	766	11.0	9.8	477	11.0	9.8
Bemis	766	11.0	7.2	729	7.9	5.9
Anderson, Clayton	768	11.0	8.6	515	10.5	8.2
Santa Fe Industries	769	11.0	8.6	763	7.6	5.9
SCM	769	11.0	6.7	697	8.3	5.4
American Elec Power	771	11.0	10.5	821	6.9	6.5
Ametek	772	10.9	4.3	704	8.2	3.9
Champion Spark Plug	773	10.9	5.9	544	10.3	6.1
Stewart-Warner	774	10.8	5.0	509	10.6	4.8
Ohio Edison	775	10.8	13.2	849	6.6	7.4
AMF	776	10.8	7.5	711	8.2	6.2
Black & Decker	777	10.8	def	566	10.0	def
WICOR	778	10.8	7.9		**	**
Public Service Colo	779	10.7	13.0	858	6.3	7.1
Carson Pirie Scott	780	10.7	5.0	706	8.2	6.3
Louisiana-Pacific	781	10.7	def	788	7.3	def
Allen Group	782	10.7	2.1	701	8.3	3.7
Evans Products	783	10.6	def	626	9.3	0.7
UMC Industries	784	10.6	6.6	638	9.1	5.6
Anchor Hocking	785	10.5	4.4	695	8.3	4.1
Manufacturers National	786	10.5	8.1	622	9.4	7.7
Collins & Aikman	787	10.5	10.8	684	8.5	8.5
Shawmut	787	10.5	12.8	512	10.6	14.6
Control Data	789	10.5	9.4	646	9.0	8.6
Northeast Utilities	790	10.5	13.4	872	6.1	7.2
Armco	791	10.4	def	703	8.3	def
Koppers	791	10.4	3.4	677	8.6	4.3
Louisville Gas & Elec	791	10.4	10.6	881	5.9	5.7
H K Porter	794	10.4	2.0	686	8.5	4.0
Research-Cottrell	795	10.4	11.4	568	10.0	10.4
Central Soya	796	10.4	6.4	688	8.4	6.0
Boise Cascade	797	10.4	0.1	712	8.2	2.0
Pac Gamble Robinson	798	10.3	6.3	696	8.3	5.7
Gas Service	799	10.3	6.7	858	6.3	5.3
McDermott	799	10.3	13.0	793	7.3	8.5
Cummins Engine	801	10.3	2.6	731	7.9	3.0
Duquesne Light	801	10.3	11.6	871	6.2	6.4
Cities Service	803	10.2	8.0	756	7.7	5.8
Nationwide	803	10.2	8.6	521	10.5	8.7
Atlanta Gas Light	805	10.2	6.0	869	6.2	5.0
Carter Hawley Hale	806	10.2	5.7	838	6.7	4.5
DeSoto	807	10.2	4.7	685	8.5	4.5
Strawbridge & Clothier	808	10.1	7.8	744	7.8	6.3
Colt Industries	809	10.1	def	812	7.0	def
Detroit Edison	810	10.0	9.6	883	5.8	5.5
Amer Hoist & Derrick	811	10.0	def	749	7.8	1.5
ASARCO	812	9.9	def	679	8.6	def
IC Industries	813	9.9	5.4	864	6.3	4.5
Reynolds Metals	814	9.9	def	875	6.1	0.0
Fleetwood Enterprises	815	9.9	14.7	578	9.9	14.6
Amerace	816	9.9	2.5	853	6.5	2.8
Burroughs	817	9.9	7.5	657	8.9	6.1
Va Electric & Power	818	9.9	10.7	861	6.3	6.5
Amer Maize-Products	819	9.8	8.4	752	7.7	6.7

Company	Return on equity rank	Return on equity 5-year average*	Return on equity latest 12 months	Return on capital rank	Return on capital 5-year average*	Return on capital latest 12 months
Arden Group	819	9.8%	10.1%	827	6.8%	7.5%
Dorsey	819	9.8	def	772	7.4	def
Sears, Roebuck	819	9.8	9.0	662	8.8	7.6
Dayco	823	9.8	1.3	864	6.3	2.8
Cluett, Peabody	824	9.8	10.8	666	8.8	9.8
Magic Chef	825	9.7	4.9	671	8.7	5.5
Roper Corp	826	9.7	5.8	790	7.3	5.0
Burlington Northern	827	9.7	10.4	815	7.0	7.7
Sybron	828	9.7	4.8	731	7.9	4.7
First Chicago	829	9.6	10.3	687	8.4	9.2
Kerr Glass Mfg	829	9.6	8.2	747	7.8	6.8
Arvin Industries	831	9.6	4.6	781	7.4	4.8
CSX	831	9.6	9.5	786	7.3	6.6
Goodyear	833	9.6	9.9	754	7.7	8.2
Jim Walter	834	9.6	0.7	834	6.7	2.8
Washington Gas Light	835	9.5	10.1	877	6.0	6.4
Longview Fibre	836	9.4	1.2	640	9.1	1.8
Harris Bankcorp	837	9.4	10.2	651	8.9	10.3
Kentucky Utilities	838	9.4	13.2	880	5.9	7.0
Equitable of Iowa	839	9.3	4.5	662	8.8	5.9
Skyline	840	9.3	5.5	625	9.3	5.5
Di Giorgio	841	9.3	6.4	808	7.0	5.4
Associated Dry Goods	842	9.2	9.6	689	8.4	7.6
Olin	843	9.2	8.9	803	7.1	6.9
Northwestern Steel	844	9.2	def	643	9.1	def
Dravo	845	9.1	2.1	674	8.6	3.8
Chromalloy American	846	9.1	def	842	6.7	def
Springs Industries	847	9.1	12.2	730	7.9	10.8
Crown Zellerbach	848	9.1	4.4	847	6.7	3.5
Adolph Coors	849	9.0	6.4	692	8.4	5.8
Scot Lad Foods	850	9.0	3.9	854	6.5	4.6
Williams Cos	851	9.0	3.4	879	6.0	3.2
Marine Midland Banks	852	8.9	10.2	766	7.5	8.7
Armstrong World Inds	853	8.9	3.2	762	7.6	3.4
Stokely-Van Camp	854	8.9	11.3	817	6.9	8.4
Robertshaw Controls	855	8.8	4.7	784	7.3	4.6
Cyclops	856	8.8	def	797	7.2	1.3
Manhattan Industries	857	8.8	19.6	814	7.0	10.4
Dan River	858	8.7	2.7	845	6.7	3.2
Fruehauf	859	8.7	def	840	6.7	0.6
Frederick & Herrud	860	8.7	0.9	804	7.1	3.4
BanCal Tri-State	861	8.5	4.2	815	7.0	4.0
El Paso	862	8.4	19.7	908	4.9	8.2
Grumman	863	8.4	9.3	725	8.0	7.3
General Motors	864	8.4	5.2	737	7.9	4.5
King Kullen Grocery	865	8.4	9.4	724	8.0	8.9
BancOhio	866	8.3	7.3	727	8.0	7.2
Phillips-Van Heusen	867	8.3	7.8	808	7.0	7.2
Diamond Intl	868	8.3	2.4	760	7.6	3.2
Brockway Inc (NY)	869	8.2	7.1	836	6.7	6.2
Genl Tire & Rubber	870	8.1	3.3	842	6.7	3.4
Southwest Forest Inds	871	8.1	def	768	7.5	1.3
Hanna Mining	872	8.1	def	784	7.3	def
Sherwin-Williams	873	8.0	11.0	888	5.7	7.5
No Indiana Pub Svc	874	8.0	5.1	901	5.2	4.7
Munford	875	8.0	19.9	894	5.6	10.6
Pittston	876	7.8	7.7	851	6.6	6.4
Interlake	877	7.8	4.7	832	6.8	4.7
Libbey-Owens-Ford	878	7.7	3.1	775	7.4	4.1
Kellwood	879	7.6	11.0	807	7.1	11.1
Monfort of Colorado	880	7.6	43.5	884	5.8	29.1
Outboard Marine	880	7.6	11.2	850	6.6	9.0
Burlington Inds	882	7.4	4.5	876	6.1	4.1

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years. **Not available; not ranked.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
Shopwell	883	7.3%	12.9%	895	5.6%	7.5%
Manville	884	7.3	def	845	6.7	2.8
Southern Pacific	885	7.2	5.5	898	5.3	4.7
Varian Associates	886	7.1	12.3	848	6.6	10.4
Sheller-Globe	887	7.0	12.7	896	5.5	7.9
Golden West Finl	888	6.9	def	861	6.3	def
Polaroid	889	6.8	3.4	813	7.0	3.7
NVF	890	6.8	def	617	9.5	def
Hoover	891	6.8	def	937	3.7	def
Fidelcor	892	6.6	15.0	864	6.3	12.3
Kaufman & Broad	893	6.3	def	901	5.2	0.9
B F Goodrich	894	6.2	def	885	5.8	0.9
M Lowenstein	895	6.2	10.0	886	5.8	8.0
Lukens	896	6.1	3.3	899	5.2	3.0
Zenith Radio	897	5.9	def	889	5.7	0.9
Chic Pneumatic Tool	898	5.9	def	786	7.3	1.4
Del E Webb	899	5.8	def	726	8.0	4.0
Western Union	900	5.7	9.9	891	5.7	7.6
American Can	901	5.7	def	909	4.8	def
United States Steel	901	5.7	1.5	906	5.0	2.7
Reichhold Chemicals	903	5.6	0.3	903	5.2	2.2
Toro	904	5.4	def	719	8.1	0.4
Armstrong Rubber	905	5.3	12.3	897	5.5	9.5
Revere Copper	906	5.3	def	934	3.7	def
Beneficial Corp	907	5.2	def	900	5.2	3.3
Primark	908	5.0	5.5	934	3.7	3.8
Inland Steel	909	4.9	def	925	4.2	def
Bethlehem Steel	910	4.8	def	921	4.3	def
Castle & Cooke	910	4.8	def	904	5.1	def
A O Smith	910	4.8	def	911	4.7	def
Gt Western Financial	913	4.8	def	905	5.1	def
Clark Equipment	914	4.7	def	924	4.2	def
Republic Steel	915	4.6	def	937	3.7	def
Tiger International	916	4.6	def	907	5.0	1.1
Bell & Howell	917	4.6	8.4	917	4.5	7.4
Interstate Bakeries	917	4.6	0.9	721	8.0	19.9
G C Murphy	919	4.6	3.4	921	4.3	3.6
General Public Utils	920	4.6	2.4	921	4.3	3.5
Phelps Dodge	921	4.5	def	930	3.9	def
Avondale Mills	922	4.5	0.6	918	4.5	0.9
Genesco	923	4.4	def	912	4.7	0.5
Kane-Miller	924	4.4	5.3	913	4.7	5.2
J P Stevens	925	4.3	4.5	919	4.5	4.4
Mohasco	926	4.2	3.4	916	4.6	4.8
Harnischfeger	927	4.1	def	928	4.0	def
National-Standard	928	4.1	def	940	3.6	def
Northwest Airlines	929	4.0	0.5	950	3.0	0.7
United Brands	930	3.8	def	932	3.8	1.1
H F Ahmanson	931	3.7	def	947	3.2	def
National Steel	932	3.7	def	948	3.1	def
Wheeling-Pitts Steel	933	3.7	def	933	3.8	def
U S Industries	934	3.6	7.6	927	4.0	7.3
F W Woolworth	935	3.4	def	939	3.6	def
Foodarama Supermkts	936	3.4	4.5	914	4.7	5.5
Borman's	937	3.3	11.3	929	4.0	8.4
First Charter Finl	938	3.3	def	915	4.6	def
Olympia Brewing	939	2.8	def	944	3.3	def
Trans World	939	2.8	def	926	4.0	1.6
Macmillan	941	2.7	11.0	944	3.3	9.5
UAL	942	2.6	def	956	2.3	def

Company	Return on equity			Return on capital		
	rank	5-year average*	latest 12 months	rank	5-year average*	latest 12 months
Graniteville	943	2.1%	def	953	2.5%	def
Certain-teed	944	1.6	def	942	3.5	def
Allis-Chalmers	945	1.6	def	940	3.6	def
Alexander's	946	1.2	5.7%	954	2.5	4.5%
AMR	947	1.2	def	949	3.1	0.5
Pabst Brewing	948	0.8	0.3	961	1.0	0.6
Ramada Inns	949	0.6	def	943	3.3	0.9
Peabody Intl	950	0.6	1.9		**	3.3
Singer	951	0.5	def	946	3.2	0.3
Westmoreland Coal	952	0.4	8.6	959	1.5	9
Fedl Natl Mortgage	953	0.2	def	910	4.8	4.5
Pan Am World Airways	954	0.2	def	955	2.4	def
Cook United	955	def	def	934	3.7	0.4
Pettibone	956	def	def	931	3.8	def
Firestone	957	def	def	962	1.0	0.9
American Bakeries	958	def	def	951	2.8	def
Uniroyal	959	def	8.0	958	1.8	6.0
Ford Motor	960	def	def	965	0.4	def
Wilson Foods	961	def	20.0	963	0.9	10.8
Jonathan Logan	962	def	9.9	968	def	8.5
Kaiser Steel	963	def	1.8	971	def	3.5
Gulf Resources & Chem	964	def	def	957	2.1	2.2
Keystone Consolidated	965	def	def	972	def	def
Inco	966	def	def	964	0.4	def
Gibraltar Financial	967	def	def	967	def	def
Bird & Son	968	def	def	975	def	def
Edward Hines Lumber	969	def	def	977	def	def
Talley Industries	970	def	def	966	0.2	def
United Merch & Mfrs	971	def	def	973	def	def
General Refractories	972	def	def	974	def	def
GAF	973	def	def	976	def	0.9
Eastern Air Lines	974	def	def	952	2.7	def
First Pennsylvania	975	def	def	969	def	3.0
Western Air Lines	976	def	def	960	1.2	def
Great Atl & Pac Tea	977	def	0.5	981	def	2.9
Intl Harvester	978	def	def	979	def	def
Republic Airlines	979	def	def	919	4.5	def
American Motors	980	def	def	987	def	def
Texas Air	981	def	def	738	7.9	def
Commonwealth Oil Rfg	982	def	def	984	def	def
KDT Industries	983	def	def	982	def	def
Chrysler	984	def	NE	988	def	9.2
Sambo's Restaurants	985	def	def	986	def	def
Braniff Intl	986	def	def	983	def	def
AM International	987	def	def	989	def	def
Wickes Cos	988	def	def	978	def	def
Massey-Ferguson	989	def	def	985	def	def
Pantry Pride	990	def	NE	980	def	6.8
Rath Packing	991	def	def	990	def	def
Allied Supermarkets	992	def	15.6	969	def	12.7
Bruno's		**	36.2		**	24.8
CIGNA		**	19.3		**	18.5
Dillingham		**	8.3		**	7.0
Fuqua Industries		**	18.2		**	8.2
Imperial Corp of Am		**	def		**	def
Masonite		**	def		**	def
PennCorp Financial		**	12.8		**	10.7
Richardson-Vicks		**	13.4		**	13.2
RLC		**	6.6		**	**
Swift Independent		**	38.0		**	19.3

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years. **Not available; not ranked.
NE: negative equity. def: deficit.

How they rank, long and short term, in earnings-per-share and sales growth in a 12-month period and on a five-year average.

Who's where in growth

IF YOU NEED ANY FURTHER confirmation that the U.S. economy has changed in a fundamental way, just study the table on page 236. It ranks, from first to last, 981 major companies appearing in our survey in order of their earnings-per-share compound growth rates—including years that span the last business cycle. Of the top 5, none is an old-line industrial company. Of the top 10 there are only 2: M. Lowenstein, a textile company in an earnings turnaround whose growth figures are badly distorted by deficits in prior years; and Litton Industries, a successful conglomerate with a sizable defense play. You have to drop to 19 to find an oil company.

What's on top? Apple Computer. Nike, the running-shoe people. A casino. An insurance holding company. And General Host, a specialty food retailer that makes most of its money in the fourth quarter selling Christmas gift packages.

Glance through the rest of the top 40, which averaged at least 32.5% a year (that's a quadrupling in five years). The spectacular earnings gains in this recession economy have been made by computers and electronics on the one hand, and information and services on the other: Wang Laboratories, Wendy's, Bruno's. Bruno's? It's a string of supermarkets in Alabama and nearby. Of the 40, only 14 could be characterized as old-line manufacturing or basic transportation companies, if you include Schlumberger, the oil-well services giant.

Now glance at the bottom 40, the ones who took the biggest pratfalls. Smokestack America, plus 6 airlines, outnumber all the rest 29 to 11—a ratio of nearly 3-to-1. Of the 11, 3 are supermarkets, 1 is a bank and 1 an S&L. None is a computer company. (The 18 companies at the very end are turnaround situations coming from deficit positions that made growth-rate calculations meaningless.)

What does all this mean? Just one more dramatic confirmation that the age of manufacturing is past and the age of services and information is here. It is interesting, though probably coincidental, that IBM, which is becoming something of the bellwether stock that General Motors used to be on Wall Street, falls almost in the middle of the list, at number 512.

The growth figures also dramatize the stagflation the country has been enduring most of the past decade. Over the ten years surveyed, the compounded inflation rate, based on the GNP deflator, has been 7.6%. Only 602 companies exceeded that, some only by a whisker. That means 40% of the companies reviewed here either showed no real compound earnings growth at all, or actually declined. Room for an essay there, but FORBES has written it before, repeatedly.

Who's where in growth

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Apple Computer	1	127.2%	200.0%	1	154.3%	250.0%
NIKE	2	98.0	223.0	3	90.6	164.6
Caesars World	3	91.8	–96.0	74	29.3	29.4
First Executive	4	90.0	65.1	2	94.4	190.4
General Host	5	87.6	36.8	993	–2.4	–6.7
Bangor Punta	6	82.3	–92.9	368	16.3	–20.4
Resorts Int'l	7	80.2	–20.4	14	46.2	3.1
M Lowenstein	8	78.5	152.4	977	2.6	–10.7
Subaru of America	9	71.9	108.2	25	41.4	28.4
Litton Industries	10	67.2	19.3	894	6.8	11.7
Federal Express	11	62.9	83.7	10	53.8	101.1
Thriftimart	12	57.0	–33.3	880	7.2	8.1
Whittaker	13	56.8	14.0	514	13.7	20.7
Tosco	14	56.6	138.8	44	33.8	33.8
Bergen Brunswig	15	53.0	53.6	346	16.8	56.8
Comdisco	16	51.3	121.6	37	36.7	78.7
Wang Laboratories	17	50.5	90.2	13	49.8	114.0
Fairchild Industries	18	50.4	–53.0	88	27.8	17.4
Standard Oil Ohio	19	47.9	14.0	68	30.4	17.7
Humana	20	45.6	98.1	28	40.5	34.3
U S Air	21	39.9	–2.1	287	18.2	32.4
Phillips-Van Heusen	22	38.5	17.6	936	5.1	9.2
Metromedia	23	38.1	134.2	530	13.4	14.8
Savin	24	38.1	P–D	31	38.9	22.0
Storage Technology	25	37.6	25.0	15	45.7	61.1
Tandy	26	37.5	90.2	202	20.5	48.5
Celeron	27	36.5	0.6	29	40.2	8.9
Business Men's Assur	28	35.6	–24.7	944	4.9	4.4
General Instrument	29	35.6	35.7	548	13.2	22.2
Wendy's International	30	35.5	26.8	11	53.1	59.4
Teledyne	31	35.4	8.1	771	9.7	0.9
Mission Insurance	32	35.3	15.7	83	28.4	9.5
Boeing	33	35.2	–43.8	321	17.4	–2.1
Cabot	34	34.4	–22.1	122	24.6	14.8
Bruno's	35	34.2	85.2	223	19.9	36.8
Wal-Mart Stores	36	33.4	64.5	35	37.4	75.4
Bally Manufacturing	37	33.2	56.4	64	31.4	93.4
Schlumberger	38	32.8	41.4	117	24.8	29.8
Western Co No Amer	39	32.7	36.2	36	36.7	51.7
Food Town Stores	40	32.5	28.4	57	32.3	57.8
Warner Communications	40	32.5	45.3	112	25.6	70.8
Cross & Trecker	42	32.5	14.9	311	17.7	7.5
ConAgra	43	32.2	33.2	477	14.3	88.3
James River Corp Va	44	32.1	36.9	7	56.9	178.8
Cincinnati Milacron	45	32.1	–52.0	624	12.1	2.5
Toys "R" Us	46	32.0	46.1	103	26.8	40.0
Waste Management	47	31.9	56.8	86	28.1	60.8
Penn Central	48	31.8	40.5	8	56.1	50.3
SmithKline Beckman	49	31.5	14.3	121	24.7	49.1
Mitchell Energy & Dev	50	30.9	3.1	33	38.8	40.4
Texas Oil & Gas	51	30.7	72.3	59	32.1	52.7
G Heileman Brewing	52	30.6	28.1	80	28.6	22.2
Ruddick	53	30.2	16.6	579	12.7	10.7
Ryder System	54	30.2	11.4	221	20.0	20.3
Charter	55	30.1	–73.0	71	29.9	–11.2
Tyco Laboratories	56	30.0	–5.4	45	33.7	100.8
Kaufman & Broad	57	29.8	P–D	822	8.5	–8.7
Natl Medical Entrpes	58	29.7	84.6	16	45.6	117.0
Superior Oil	59	29.7	–15.1	66	30.9	35.6
Parker Drilling	60	29.5	39.7	52	32.7	45.5
SCOA Industries	61	29.3	7.5	568	12.9	14.1
Hilton Hotels	62	29.1	–12.1	836	8.2	9.2
Nucor	63	28.8	–39.6	132	23.7	5.3

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Sun Chemical	64	28.6%	–55.4%	550	13.1%	23.4%
Amer Medical Intl	65	28.6	62.3	102	26.8	82.3
Big V Supermarkets	66	28.5	33.8	213	20.2	24.9
Cullum Companies	67	28.4	3.9	481	14.2	25.2
United Energy Resources	68	28.3	24.6	46	33.7	35.7
Dillingham	69	28.3	0.7	416	15.4	13.4
Baker International	70	28.3	52.1	61	31.9	56.6
Gelco	71	28.2	–28.9	18	44.6	47.7
E F Hutton Group	72	28.2	–10.0	43	33.8	35.0
Meredith	73	27.9	28.4	407	15.5	27.2
Datapoint	74	27.7	–93.8	22	42.6	61.1
Berkshire Hathaway	75	27.7	–13.3	255	19.1	–3.3
Phibro-Salomon	76	27.5	–9.8	58	32.2	12.4
Morton Thiokol	77	27.5	182.8	803	8.9	–6.7
Hughes Tool	78	27.3	21.9	55	32.4	38.1
Digital Equipment	79	27.1	28.3	48	38.5	61.6
EG&G	80	26.8	36.4	153	22.7	29.5
Natl Convenience Stores	81	26.6	36.7	248	19.2	46.4
Oak Industries	81	26.6	–3.5	131	23.9	39.7
Marriott	83	26.4	29.6	286	18.3	35.9
Seaboard	84	26.3	156.7	956	4.3	–33.0
Dorchester Gas	85	26.2	–40.1	5	81.4	105.9
Raychem	86	26.0	–19.8	120	24.7	25.0
Alcan Aluminium	87	26.0	–75.1	532	13.4	–2.5
M/A-Com	88	26.0	3.5	20	43.2	83.4
Servicemaster Inds	89	25.9	41.4	140	28.3	36.5
Fuqua Industries	90	25.7	66.9	73	29.6	–51.0
Worthington Inds	91	25.7	–14.0	185	26.5	27.7
Loews	92	25.5	3.3	420	15.4	6.1
Baldwin-United	93	25.4	83.5	9	55.2	175.7
Supermarkets General	94	25.2	42.2	693	11.0	17.5
Geo International	95	25.1	–44.6	90	27.4	27.4
Mattel	96	25.0	207.5	183	21.3	37.0
Manhattan Industries	97	25.0	D–P	873	7.3	11.1
Harris Corp	98	25.0	–24.7	217	20.1	37.1
Hospital Corp of Am	99	24.9	59.3	50	33.3	104.1
Pitney Bowes	100	24.9	1.6	251	19.2	18.0
Brown-Forman Dist	101	24.8	72.9	477	14.3	31.6
Foster Wheeler	102	24.7	10.1	600	11.3	0.0
General Re	103	24.7	28.0	324	17.3	33.0
Crum & Forster	104	24.6	–16.1	579	12.7	6.1
Trans World	105	24.4	P–D	634	12.0	5.4
U S Home	106	24.4	P–D	260	18.9	–16.8
Kelly Services	107	24.0	–18.0	145	23.1	5.8
Control Data	108	23.6	1.3	481	14.2	15.8
American Intl Group	109	23.5	34.1	155	22.7	28.3
Allied Bancshares	110	23.4	74.5	30	39.2	101.3
Dean Foods	111	23.4	34.2	377	16.1	19.8
Super Valu Stores	112	23.3	18.7	390	15.9	17.7
Anixter Bros	113	23.3	11.5	224	19.8	53.1
Walgreen	114	23.2	44.6	852	7.8	32.5
Northwest Industries	115	23.1	38.6	397	15.8	–4.2
Peoples Drug Stores	116	23.0	23.7	523	13.5	26.1
Citizens & Sthrn Ga	117	23.0	31.0	617	12.2	30.5
Parsons	118	22.9	38.2	732	10.3	48.2
Capital Cities Commun	119	22.9	27.0	190	20.8	32.3
Hewlett-Packard	120	22.8	40.6	123	24.6	41.2
Cameron Iron Works	121	22.8	66.8	292	18.2	56.6
Atlantic Richfield	122	22.4	12.6	165	22.3	17.5
Computer Sciences	123	22.3	–6.8	199	20.6	18.3
Dover	124	22.2	24.4	257	19.1	25.4
Rite Aid	124	22.2	21.0	313	17.6	22.6
Lear Siegler	126	22.2	–7.4	475	14.4	3.1

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy.

†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit.

Who's where in growth

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Old Republic Intl	126	22.2%	9.0%	298	18.1%	12.5%
Raytheon	128	22.1	11.8	383	16.1	18.5
Belco Petroleum	129	22.1	16.8	676	11.3	–45.1
Hanover Insurance	130	22.0	–7.4	463	14.5	18.0
American Stores	131	21.9	46.9	12	51.6	27.5
Cooper Industries	132	21.9	0.4	62	31.5	29.8
Seagram	133	21.8	43.4	912	6.0	7.8
Pioneer	134	21.8	–23.2	158	22.5	23.8
Brunswick	135	21.7	664.8	903	6.5	–8.5
Smith International	136	21.7	26.4	106	26.4	39.4
Kemper	137	21.6	–19.0	169	22.2	23.5
Centex	138	21.3	–35.4	271	18.7	–9.0
Payless Cashways	139	21.2	41.3	87	28.1	40.8
Tesoro Petroleum	140	21.2	–45.7	100	26.9	–17.1
PHH Group	141	21.1	46.0	77	29.0	70.5
Big Three Industries	142	21.0	15.9	136	23.9	21.6
Levi Strauss	143	21.0	–35.5	308	17.7	0.3
Abbott Laboratories	144	20.9	29.6	352	16.6	25.2
Knudsen	145	20.9	–20.0	426	15.3	12.6
Dayton-Hudson	146	20.8	6.6	258	19.0	31.1
R H Macy	146	20.8	40.9	629	12.0	30.0
Tektronix	148	20.7	–13.0	142	23.2	28.0
Zurn Industries	149	20.7	15.3	800	8.9	9.3
Entex	150	20.6	27.1	89	27.5	46.6
Crown Central Petroleum	151	20.6	–48.1	151	22.8	35.2
Service Merchandise	152	20.6	16.5	47	33.5	28.5
AMP	153	20.4	–2.4	328	17.3	10.9
Getty Oil	153	20.4	–7.8	114	25.3	33.3
Perkin-Elmer	153	20.4	–19.8	148	23.0	7.7
NCR	156	20.4	–0.7	844	8.0	7.9
Acme-Cleveland	157	20.4	–29.0	533	13.4	–14.7
Albertson's	158	20.3	31.8	269	18.7	23.4
Freeport-McMoran	159	20.3	–29.7	297	18.1	14.1
Washington Post	159	20.3	36.2	438	14.9	18.7
Browning-Ferris Inds	161	20.3	49.2	496	14.0	26.9
Frontier Holdings	162	20.3	14.1	188	20.9	17.3
Ohio Casualty	163	20.2	–19.1	418	15.4	4.8
Anheuser-Busch Cos	164	20.1	48.2	330	17.2	30.1
Revco D S	165	20.1	30.3	240	19.5	44.3
Burlington Northern	166	20.0	3.9	315	17.5	7.1
McDonald's	167	20.0	31.2	300	18.0	22.1
Sysco	168	19.9	58.7	278	18.4	52.4
First Boston	169	19.8	147.6	26	41.3	113.7
General Cinema	170	19.8	58.2	362	16.4	15.9
Zayre	170	19.8	39.3	824	8.4	23.6
Norfolk Southern	172	19.8	10.1	723	10.5	9.0
Fluor	173	19.8	–2.9	65	31.3	55.3
Shaklee	173	19.8	23.9	135	23.5	19.6
H H Robertson	175	19.7	14.5	688	11.1	16.6
Baxter Travenol Labs	176	19.7	32.5	295	18.2	20.2
Savannah Foods	177	19.7	201.5	942	4.9	6.2
Chubb	178	19.6	–25.3	777	9.6	14.9
Murphy Oil	178	19.6	14.2	326	17.3	30.2
SEDCO	180	19.5	617.6	684	11.2	43.0
Reading & Bates	181	19.5	37.1	268	18.7	34.2
Sundstrand	182	19.5	–6.7	641	11.9	6.5
Auto Data Processing	183	19.5	34.1	123	24.6	48.6
Trinity Industries	184	19.4	–37.3	226	19.8	–15.3
Republic New York	185	19.3	13.5	19	43.9	67.3
Safeco	186	19.3	–5.1	578	12.8	10.9
NL Industries	187	19.2	52.9	811	8.7	15.9
Philip Morris	188	19.2	28.3	207	20.3	19.6
USF&G	189	19.1	–46.3	546	13.2	3.4

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Morrison-Knudsen	190	19.1%	11.6%	343	16.8%	32.5%
Houston Natural Gas	191	19.1	33.0	160	22.5	35.1
Blount	192	19.1	18.9	584	12.7	19.7
Texas Commerce Bshs	193	19.0	40.9	54	32.5	57.3
Combustion Eng	194	19.0	31.6	511	13.7	14.2
Aetna Life & Casualty	195	18.9	–5.1	457	14.6	10.3
Intel	195	18.9	–62.3	49	33.4	11.9
American Standard	197	18.9	–66.8	862	7.6	–13.4
McGraw-Hill	198	18.9	20.9	608	12.3	18.4
Amer Broadcasting	199	18.8	6.1	525	13.5	17.1
Merrill Lynch	200	18.8	18.2	108	26.3	51.0
Kroger	201	18.8	35.5	553	13.1	16.1
Melville	202	18.7	9.9	266	18.8	32.7
Milton Bradley	203	18.7	–31.5	418	15.4	–5.7
Petrolane	204	18.7	31.3	191	20.8	33.4
Johnson Controls	205	18.7	22.0	94	27.2	20.4
Std Comml Tobacco	206	18.6	34.3	81	28.5	16.3
Consolidated Papers	207	18.6	–26.7	520	13.6	7.1
Snap-On Tools	207	18.6	–3.5	359	16.4	7.2
Rose's Stores	209	18.6	5.4	902	6.6	15.0
H J Heinz	210	18.6	34.8	563	13.0	25.1
Shawmut	210	18.6	26.0	334	17.1	60.7
Wyman-Gordon	210	18.6	60.3	396	15.8	–7.9
Data General	213	18.5	–60.4	38	36.1	27.4
American Brands	214	18.5	–0.3	767	9.7	2.5
Westinghouse Electric	215	18.4	14.9	889	7.0	15.0
United States Gypsum	216	18.4	–50.0	780	9.5	–11.2
Avco	217	18.3	–54.6	771	9.7	17.5
Ashland Oil	218	18.3	–35.4	414	15.4	11.0
Di Giorgio	219	18.3	–28.9	855	7.8	–4.5
PennCorp Financial	220	18.2	39.7	715	10.6	13.3
Evans Products	221	18.2	P–D	848	7.8	–10.8
Giant Food	221	18.2	100.5	605	12.3	21.0
Honeywell	221	18.2	9.2	605	12.3	13.6
Alcoa	224	18.2	–87.8	646	11.8	–5.8
Dynalectron	224	18.2	72.2	349	16.7	9.0
Transamerica	226	18.1	–20.7	750	10.0	2.1
Alexander & Alexander	227	17.9	–25.9	116	25.0	34.8
Bamark	228	17.9	–30.8	991	–1.8	–25.7
Brown Group	229	17.8	23.3	784	9.5	12.1
Consol Freightways	229	17.8	–26.9	661	11.5	–21.0
Deluxe Check Printers	229	17.8	31.2	415	15.4	24.1
American General	232	17.8	10.2	690	11.1	22.7
Transco Energy	233	17.8	38.2	60	32.0	44.7
Cluett, Peabody	234	17.7	33.2	916	5.9	15.6
Hyster	235	17.7	–77.9	728	10.4	–26.9
Pay Less Drug NW	236	17.6	19.5	144	23.2	23.5
Bankers Trust NY	237	17.6	20.7	244	19.4	30.2
First Union	238	17.5	9.0	228	19.7	53.9
Security Pacific	238	17.5	12.8	162	22.5	37.8
Barnett Banks Fla	240	17.5	16.3	189	20.9	65.4
VF	241	17.4	78.1	770	9.7	30.6
Research-Cottrell	242	17.4	44.0	559	13.1	20.0
Halliburton	243	17.3	12.4	383	16.1	10.0
Fort Howard Paper	244	17.3	26.7	387	16.0	29.4
Valley National	245	17.3	–14.7	197	20.6	30.8
Farmers Group	246	17.2	11.6	447	14.8	25.2
Mercantile Texas	247	17.2	29.9	17	45.5	78.2
Bendix	248	17.1	–47.7	846	7.9	1.6
IU International	249	17.1	–61.4	962	3.9	–11.9
Travelers	249	17.1	–15.8	720	10.5	24.6
Wheelabrator-Frye	251	17.1	17.6	101	26.9	22.5
Dow Jones	252	17.1	41.5	320	17.4	31.4

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales				Earnings per share			Sales		
Company	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81	Company	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Dun & Bradstreet	252	17.1%	31.0%	411	15.5%	24.1%	Standard Oil Calif	316	15.3%	–30.5%	381	16.1%	0.2%
Zapata	252	17.1	97.6	767	9.7	–0.8	Levitz Furniture	317	15.3	–60.3	909	6.1	–8.6
Dan River	255	17.0	–72.5	938	5.0	–10.2	Amer Hospital Supply	318	15.2	41.9	399	15.7	22.0
General Signal	256	16.9	6.6	212	20.2	10.7	Natomas	319	15.2	–49.7	63	31.4	27.6
Alleghany	257	16.9	9.4	21	42.6	19.1	Scovill	319	15.2	–4.9	896	6.8	–19.7
Times Mirror	257	16.9	–6.7	366	16.3	15.4	NCNB	321	15.1	14.0	237	19.5	32.3
Tyson Foods	259	16.9	130.0	316	17.5	31.6	American Natl Ins	322	15.0	–5.0	833	8.3	9.5
Union Pacific	260	16.8	–7.1	181	21.4	16.7	Waldbaum	323	14.9	58.9	534	13.4	17.3
United States Shoe	261	16.8	15.2	614	12.2	14.8	Kay	324	14.9	P–D	424	15.3	–21.0
Turner Construction	262	16.8	50.0	231	19.7	29.9	InterFirst	325	14.8	20.9	84	28.3	55.4
Pioneer Hi-Bred Intl	263	16.8	33.6	317	17.5	38.0	Trane	326	14.7	–8.8	642	11.8	7.4
Piedmont Aviation	264	16.8	13.6	149	22.9	42.2	Borg-Warner	327	14.7	14.2	801	8.9	13.4
Gannett	265	16.7	18.5	125	24.4	20.8	Girard	328	14.7	–3.2	594	12.4	21.9
Nordstrom	266	16.7	18.9	215	20.1	36.5	Pennzoil	329	14.7	–25.3	301	17.9	–0.6
Masco	267	16.7	16.6	296	18.1	6.4	PACCAR	330	14.6	–49.4	673	11.4	–23.3
Phillips Petroleum	267	16.7	–31.3	232	19.7	21.0	First Natl Boston	331	14.6	15.7	136	23.4	20.2
First Interstate Bancp	269	16.6	–0.8	241	19.5	34.9	Sonoco Products	332	14.6	–5.3	410	15.5	9.2
Marsh Supermarkets	270	16.6	15.9	661	11.5	12.4	Marsh & McLennan Cos	333	14.6	3.4	301	17.9	33.0
Federal-Mogul	271	16.6	–19.8	597	12.4	4.9	Union Oil California	334	14.6	26.0	530	13.4	11.2
Heck's	272	16.5	0.2	216	20.1	–4.0	Avery International	335	14.5	12.6	538	13.3	15.2
Palm Beach	273	16.5	–51.5	146	23.0	22.0	Emerson Electric	335	14.5	15.5	322	17.4	15.3
Figgie International	274	16.4	24.8	864	7.6	–2.8	Ball Corp	337	14.5	25.5	412	15.5	29.2
Engelhard	275	16.4	6.4	98	27.0	–19.0	Genuine Parts	338	14.4	10.0	400	15.7	25.7
United Virginia Bshs	276	16.4	19.4	442	14.9	35.1	Bausch & Lomb	339	14.4	12.5	735	10.2	–3.6
Holly Corp	277	16.4	43.7	82	28.4	47.2	G D Searle	340	14.4	61.6	863	7.6	3.4
American Express	278	16.4	11.5	307	17.8	35.0	Quaker Oats	341	14.4	–10.3	679	11.3	15.6
Springs Industries	278	16.4	56.8	882	7.1	4.4	Southeast Banking	342	14.3	–4.9	200	20.5	38.1
Bank of New England	280	16.4	8.4	85	28.2	61.6	Pillsbury	343	14.3	19.9	285	18.3	21.8
Weis Markets	280	16.4	26.2	551	13.1	16.7	Dillon Cos	344	14.3	47.7	327	17.3	32.9
Rohm & Haas	282	16.3	–14.5	717	10.6	7.1	Perini	344	14.3	43.6	154	22.7	35.3
First City Bancorp	283	16.3	14.1	69	30.4	51.9	Hershey Foods	346	14.3	29.0	310	17.7	16.5
Ceco	284	16.1	–17.4	776	9.6	3.2	Dexter	347	14.2	–7.0	177	21.7	2.9
Jewel Cos	285	16.1	21.2	769	9.7	23.0	Minn Mining & Mfg	347	14.2	–4.3	579	12.7	10.2
Martin Marietta	285	16.1	–25.0	347	16.8	29.7	Farm House Foods	349	14.2	31.5	32	38.8	34.0
Seaway Food Town	287	16.1	–16.4	542	13.3	22.9	Kidde	350	14.2	2.6	400	15.7	7.7
Thrifty Corp	287	16.1	16.2	658	11.6	18.0	Chesebrough-Pond's	351	14.2	16.0	421	15.3	17.9
City Investing	289	16.1	–35.6	342	16.9	7.5	Standard Oil Indiana	351	14.2	0.8	290	18.2	13.9
Signal Cos	289	16.1	–39.1	373	16.2	9.1	Pacific Resources	353	14.1	–63.6	95	27.1	40.5
Shell Oil	291	16.0	11.7	345	16.8	7.7	Interpublic Group	354	14.1	–1.9	337	17.1	23.2
Idle Wild Foods	292	16.0	25.8	719	10.5	–3.0	Panhandle Eastern	355	14.1	11.1	99	26.9	29.0
Natl Semiconductor	292	16.0	P–D	78	28.6	20.5	Kaneb Services	356	14.0	28.2	39	35.6	22.3
SONAT	294	16.0	45.8	115	25.2	41.6	Illinois Tool Works	357	14.0	–5.3	622	12.1	9.1
Republic Finl Svcs	295	16.0	9.6	436	15.0	19.2	Jack Eckerd	358	14.0	–2.2	185	21.2	34.9
Knight-Ridder News	296	16.0	2.3	534	13.4	17.2	Electronic Data Systems	359	13.9	62.5	134	23.6	46.1
Archer Daniels Midland	297	15.9	4.4	599	12.4	32.0	Flowers Industries	360	13.9	38.5	331	17.2	39.6
Maryland Cup	297	15.9	19.1	416	15.4	14.6	General Mills	361	13.9	27.2	542	13.3	25.7
Fleet Financial	299	15.8	29.7	350	16.7	33.0	Rockwell Intl	362	13.8	15.2	884	7.1	10.2
W W Grainger	300	15.8	3.8	374	16.2	3.3	U S Bancorp	363	13.8	0.7	269	18.7	29.4
National Svc Inds	300	15.8	15.6	730	10.3	12.6	R R Donnelley & Sons	364	13.8	20.8	372	16.2	24.9
First Wisconsin	302	15.7	4.0	555	13.1	14.2	Chase Manhattan	365	13.7	–13.0	197	20.6	29.6
A C Nielsen	302	15.7	44.9	256	19.1	31.4	Irving Bank	366	13.7	–1.4	214	20.1	30.8
Gordon Jewelry	304	15.7	–15.6	311	17.7	13.2	Missouri Pacific	366	13.7	–4.5	544	13.2	10.8
Mobil	305	15.7	–35.5	253	19.1	9.3	Dibrell Brothers	368	13.6	100.3	669	11.4	29.9
Air Prods & Chems	306	15.6	–7.5	449	14.8	11.5	Texas Gas Transmn	368	13.6	11.7	171	22.1	31.2
Vulcan Materials	307	15.6	–8.6	588	12.6	–1.9	Consolidated Foods	370	13.6	31.7	424	15.3	19.6
Southland	308	15.6	28.2	204	20.5	37.3	Norton	370	13.6	–65.1	469	14.5	4.0
Upjohn	309	15.5	–12.6	555	13.1	3.9	Hannaford Bros	372	13.6	49.7	655	11.7	14.7
Universal Leaf	310	15.5	25.8	818	8.5	22.5	Alco Standard	373	13.5	10.1	329	17.2	28.2
St Paul Cos	311	15.5	25.5	622	12.1	12.3	Dresser Industries	374	13.5	–7.4	362	16.4	11.6
Parker Pen	312	15.4	–95.1	139	23.3	–4.0	Richardson-Vicks	375	13.5	–7.4	486	14.2	16.1
PepsiCo	312	15.4	21.1	247	19.3	23.3	Denny's	376	13.4	46.0	201	20.5	34.8
Johnson & Johnson	314	15.4	29.5	376	16.2	19.8	Bristol-Myers	377	13.4	25.3	667	11.5	14.2
Kimberly-Clark	315	15.4	–6.7	685	11.1	14.3	New York Times	378	13.4	33.1	665	11.5	23.7

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit.

Who's where in growth

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Southwest Bancshares	379	13.3%	38.4%	104	26.5%	74.8%
Foxboro	380	13.3	25.9	539	13.3	21.1
Morse Shoe	381	13.3	–59.8	497	13.9	1.9
Carpenter Technology	382	13.3	–40.0	603	12.3	–15.3
Motorola	383	13.2	–18.3	434	15.0	20.0
Longs Drug Stores	384	13.2	12.1	364	16.4	18.5
Best Products	385	13.2	–24.3	119	24.7	17.3
Texas Eastern	386	13.1	–1.0	143	23.2	37.8
Intl Flavors & Frag	387	13.0	–3.5	627	12.0	3.3
Stewart & Stevenson	387	13.0	29.7	359	16.4	28.6
Amsted Industries	389	13.0	–71.2	721	10.5	–28.9
American Greetings	390	13.0	21.5	455	14.7	29.4
Occidental Petroleum	390	13.0	–67.5	277	18.5	42.0
Wells Fargo	390	13.0	8.0	179	21.5	26.6
Mercantile Stores	393	13.0	35.5	599	12.4	19.0
Nabisco Brands	393	13.0	27.9	816	8.6	9.0
Ex-Cell-O	395	13.0	2.9	237	19.5	2.8
Tidewater	396	12.9	25.1	152	22.8	28.6
Hart Schaffner & Marx	397	12.9	30.7	886	7.0	21.1
Nalco Chemical	398	12.9	–2.0	574	12.8	6.7
Gulf United	399	12.9	3.5	187	21.0	46.5
George A Hormel	400	12.9	–12.9	897	6.7	3.7
Sun Company	401	12.9	–35.2	163	22.4	18.2
Texas American Bshs	402	12.9	26.7	91	27.3	51.4
Lubrizol	403	12.8	–40.1	488	14.2	–2.6
Roadway Services	403	12.8	9.2	507	13.8	–0.2
CPC International	405	12.7	15.0	902	8.9	2.3
Northrop	406	12.7	–87.0	654	11.7	33.6
Flickinger	407	12.7	31.9	586	12.7	26.2
Kaiser Alum & Chem	408	12.6	P–D	653	11.7	1.0
RepublicBank	408	12.6	27.5	75	29.2	47.3
McCormick	410	12.5	27.7	382	16.1	27.6
Stanley Works	411	12.5	–30.0	659	11.6	5.5
Harvey Hubbell	412	12.5	15.0	369	16.3	7.0
Square D	413	12.4	–18.2	474	14.4	10.8
Holiday Inns	414	12.4	–26.6	826	8.3	3.0
Earle M Jorgensen	414	12.4	–18.6	757	9.9	–12.7
Chic & North Western	416	12.4	P–D	685	11.1	–6.0
Rollins	416	12.4	14.4	508	13.8	27.6
American Home Products	418	12.4	22.7	696	10.9	18.0
Walt Disney	419	12.3	–20.7	630	12.0	13.8
Edison Bros Stores	420	12.3	–37.1	645	11.8	7.0
General Electric	421	12.3	14.7	690	11.1	6.9
Revlon	422	12.2	–34.3	203	20.5	11.4
Kellogg	423	12.1	19.8	652	11.7	12.6
Amerada Hess	424	12.1	–58.9	357	16.6	7.0
Procter & Gamble	425	12.0	28.5	591	12.5	15.8
Suburban Propane Gas	425	12.0	1.6	229	19.7	18.0
Pittsburgh National	427	12.0	21.3	136	23.4	36.4
Am Natural Resources	428	11.9	51.0	156	22.6	29.1
Exxon	429	11.9	–17.3	404	15.6	3.6
Avnet	430	11.9	1.5	506	13.8	–8.5
Handy & Harman	431	11.9	–47.8	700	10.8	–22.7
Carnation	432	11.9	19.8	796	9.1	6.1
CBI Industries	432	11.9	29.0	823	8.4	48.8
Continental Corp	432	11.9	–27.5	794	9.2	3.4
GATX	435	11.8	–43.7	811	8.7	9.8
Niagara Frontier Services	436	11.7	–1.3	314	17.5	24.5
E I du Pont	437	11.7	–25.1	232	19.7	104.3
Rainier Bancorp	437	11.7	–1.3	175	21.8	26.9
National Gypsum	439	11.7	–73.7	779	9.5	–7.2
North American Coal	440	11.6	167.0	549	13.2	19.5
Time Inc	441	11.6	3.3	129	23.9	21.0

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Paine Webber	442	11.6%	285.9%	51	32.8%	35.8%
Joy Manufacturing	443	11.5	27.1	609	12.2	15.3
Arkla	444	11.5	26.5	164	22.4	31.1
Curtice-Burns	445	11.5	39.7	176	21.7	39.2
Roper Corp	445	11.5	–15.4	947	4.8	0.9
Winn-Dixie Stores	445	11.5	22.4	534	13.4	25.0
Economics Laboratory	448	11.4	9.5	501	13.9	22.8
General Foods	449	11.4	19.1	709	10.6	18.8
Mellon National	449	11.4	28.7	264	18.9	43.0
Univar	449	11.4	–40.4	775	9.6	1.6
Crown Cork & Seal	452	11.4	–23.9	705	10.7	–3.9
Pneumo	452	11.4	58.2	407	15.5	19.0
Capital Holding	454	11.3	20.1	467	14.5	79.5
Ametek	455	11.3	12.8	692	11.0	5.1
Eli Lilly	455	11.3	12.7	444	14.9	17.6
J P Morgan	457	11.3	21.4	149	22.9	35.8
Witco Chemical	458	11.3	–21.4	398	15.7	14.3
MGM Grand Hotels	459	11.3	–37.5	510	13.7	22.5
R J Reynolds Inds	459	11.3	30.4	430	15.1	20.0
Oneok	461	11.2	29.1	133	23.7	28.1
Empire	462	11.2	14.0	110	25.7	–9.9
Provident Life & Acc	462	11.2	–12.2	944	4.9	6.6
Texas Instruments	464	11.2	–17.9	289	18.2	11.3
Petrie Stores	465	11.2	–6.1	661	11.5	16.9
Purolator	466	11.2	44.3	540	13.3	27.7
Santa Fe Industries	467	11.2	–19.7	499	13.9	4.6
MCA	468	11.1	26.3	572	12.9	14.6
Lincoln National	469	11.1	–17.4	590	12.6	18.0
Eastman Kodak	470	11.1	–3.1	583	12.7	9.9
Magic Chef	470	11.1	–42.8	282	18.3	12.9
Chemical New York	472	11.0	20.1	195	20.6	27.8
PPG Industries	473	11.0	–31.0	774	9.6	2.4
Mercantile Bancorp	474	11.0	22.6	205	20.3	28.6
Coca-Cola	475	11.0	9.7	501	13.9	7.3
InterNorth	476	10.9	–4.7	211	20.2	31.0
Leaseway Transportation	476	10.9	–24.9	625	12.1	10.1
Scott Paper	476	10.9	–20.1	688	11.1	11.4
Stop & Shop Cos	479	10.9	76.7	829	8.3	8.2
Gates Learjet	480	10.9	–34.9	168	22.2	27.6
Malone & Hyde	480	10.9	26.8	389	15.9	19.7
National Can	482	10.8	–36.3	700	10.8	3.6
TRW	483	10.8	–15.3	619	12.1	5.1
Combined Internatl	484	10.8	–6.0	432	15.1	40.9
Fleming Cos	485	10.7	21.8	527	13.5	21.6
Becton, Dickinson	486	10.7	11.6	445	14.9	18.6
Tyler	487	10.7	–40.5	369	16.3	43.2
Wachovia	488	10.7	12.1	323	17.4	41.1
Merck	489	10.6	3.6	605	12.3	13.0
BankAmerica	490	10.5	–25.1	186	21.0	25.9
McGraw-Edison	490	10.5	–8.8	422	15.3	15.1
Moore McCormack Res	490	10.5	–48.1	306	17.8	9.3
Tecumseh Products	493	10.4	–13.0	860	7.6	–14.3
Crocker National	494	10.4	–57.1	180	21.4	39.5
United Technologies	494	10.4	–9.8	170	22.1	15.9
Dillard Dept Stores	496	10.4	56.2	230	19.7	39.6
ENSERCH	497	10.4	10.3	95	27.1	34.8
First Natl State Bcp	498	10.3	29.1	283	18.3	39.4
Brooklyn Union Gas	499	10.3	24.8	293	18.2	45.8
Lone Star Industries	500	10.3	P–D	933	5.3	–1.6
Maryland National	501	10.2	14.2	260	18.9	29.4
Nationwide	501	10.2	–2.9	748	10.0	16.7
Jefferson-Pilot	503	10.2	–5.5	741	10.2	14.1
Pacific Lighting	504	10.2	–6.8	166	22.3	40.4

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†Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
North Amer Philips	505	10.2%	–21.8%	447	14.8%	19.5%
Emhart	506	10.2	24.5	205	20.3	4.1
Fischbach	507	10.1	46.9	751	10.0	31.9
Gerber Products	507	10.1	4.9	671	11.4	9.9
Dennison Mfg	509	10.1	–21.6	547	13.2	15.5
Cyclops	510	10.1	P–D	756	9.9	–7.9
Marine Midland Banks	510	10.1	20.4	354	16.6	29.7
Citicorp	512	10.0	36.6	127	24.2	26.2
IBM	512	10.0	13.5	587	12.6	23.9
Consol Natural Gas	514	10.0	21.0	284	18.3	29.2
Allegheny Intl	515	10.0	–58.7	503	13.9	91.6
Northwest Bancorp	516	10.0	–14.2	178	21.6	34.4
Newmont Mining	517	10.0	–75.0	806	8.8	–15.4
First Bank System	518	9.9	–6.8	182	21.3	40.3
Lucky Stores	519	9.9	–14.1	406	15.5	19.6
Texaco	520	9.8	–27.4	456	14.7	0.3
ASARCO	521	9.8	P–D	901	6.6	–16.9
West Point-Pepperell	522	9.7	9.3	636	11.9	–4.3
E-Systems	523	9.7	59.0	492	14.0	54.0
Pfizer	524	9.6	26.6	632	12.0	13.5
Anderson, Clayton	525	9.6	–6.4	926	5.7	–9.1
Xerox	526	9.6	–19.0	505	13.8	7.0
Cone Mills	527	9.5	–56.4	925	5.7	–11.4
USLIFE	528	9.5	–3.6	647	11.8	9.1
Northwest Energy	529	9.5	–66.1	195	20.6	13.6
Fieldcrest Mills	530	9.4	–60.0	806	8.8	–5.4
First Security	530	9.4	17.6	243	19.4	28.1
Gt Northern Nekoosa	530	9.4	–13.5	599	12.4	8.0
Foremost-McKesson	533	9.4	–14.4	795	9.1	3.8
Parker-Hannifin	533	9.4	–31.4	275	18.6	12.5
Borden	535	9.3	18.6	923	5.7	–7.9
FMC	536	9.3	5.6	782	9.5	3.0
A E Staley Mfg	536	9.3	–13.2	395	15.8	–6.5
CSX	538	9.3	–2.9	712	10.6	6.6
Zale	539	9.2	–90.6	868	7.5	1.9
Dorsey	540	9.2	P–D	253	19.1	–8.9
H K Porter	540	9.2	–79.3	626	12.1	–17.2
Whirlpool	542	9.2	4.8	904	6.4	–3.0
SCM	543	9.2	–35.9	857	7.7	0.1
Washington National	543	9.2	–34.9	643	11.8	2.7
Ampco-Pittsburgh	545	9.2	P–D	136	23.4	–6.9
UGI	546	9.1	–12.9	147	23.0	54.7
Southern Union	547	9.1	–45.8	172	21.9	18.4
Intl Multifoods	548	9.1	30.4	930	5.5	3.1
Hercules	549	9.0	–41.8	731	10.3	1.0
Torchmark	549	9.0	9.0	588	12.6	59.4
McDonnell Douglas	551	9.0	9.5	559	13.1	20.1
W R Grace	552	9.0	15.8	727	10.4	5.6
Laclede Gas	552	9.0	24.3	336	17.1	43.2
Consolidated Edison	554	8.9	31.6	780	9.5	21.9
Beatrice Foods	555	8.9	–3.8	616	12.2	4.5
Centel	555	8.9	11.2	293	18.2	25.0
Philadelphia Natl	555	8.9	38.7	469	14.5	19.6
Stanadyne	555	8.9	–16.0	667	11.5	–10.0
Celanese	559	8.9	–63.5	732	10.3	–5.3
Universal Foods	560	8.8	56.9	210	20.3	31.5
Moore Corp	561	8.8	–8.7	656	11.6	7.8
Nashua	562	8.8	P–D	512	13.7	–4.3
Harsco	563	8.8	–15.4	540	13.3	–0.3
Kerr-McGee	564	8.7	8.5	487	14.2	15.2
Saga	564	8.7	148.6	394	15.8	24.2
Centerre Bancorp	566	8.7	–13.4	160	22.5	40.2
Manufacturers Hanover	567	8.7	11.9	118	24.7	42.4
New England Electric	568	8.7%	24.9%	698	10.8%	11.3%
Continental Illinois	569	8.6	–52.5	111	25.7	31.1
Diversified Energies	570	8.6	1.4	192	20.7	43.2
Briggs & Stratton	571	8.5	–4.8	567	12.9	1.9
Ogden	572	8.5	–20.1	891	6.9	0.3
So New England Tel	573	8.5	5.0	621	12.1	24.0
MAPCO	574	8.4	–21.8	41	34.5	26.9
Bemis	575	8.4	–30.1	972	3.1	2.4
IC Industries	575	8.4	–43.2	236	19.6	–1.9
May Dept Stores	577	8.4	9.0	757	9.9	10.7
Owens-Illinois	577	8.4	–29.3	788	9.3	–4.7
Bank of New York	579	8.3	33.6	97	27.0	36.6
Union Camp	579	8.3	–19.5	759	9.9	–2.1
Scott & Fetzer	581	8.3	3.9	440	14.9	–6.1
Duke Power	582	8.2	6.2	569	12.9	29.1
First Natl Supermkts	583	8.2	26.9	67	30.5	–1.7
Gulf & Western Inds	584	8.1	–45.1	537	13.4	–2.1
Commercial Metals	585	8.0	–35.1	332	17.2	–13.3
Campbell Soup	586	8.0	18.2	721	10.5	18.6
Schering-Plough	586	8.0	–14.9	437	15.0	9.2
United Telecom	586	8.0	–16.3	473	14.4	21.3
Strawbridge & Clothier	589	8.0	–6.7	745	10.1	11.5
Insilco	590	8.0	–45.6	707	10.7	4.7
Sperry	591	7.9	–46.1	755	9.9	2.0
Hammermill Paper	592	7.9	–17.6	490	14.1	15.9
Federated Dept Stores	593	7.9	–10.9	712	10.6	15.8
Westvaco	593	7.9	–31.4	760	9.9	3.9
Clorox	595	7.8	29.5	971	3.3	40.5
CFS Continental	596	7.8	47.1	517	13.6	24.3
General Dynamics	596	7.8	–40.4	429	15.1	21.9
Gifford-Hill	596	7.8	P–D	467	14.5	–12.6
Avon Products	599	7.8	–25.5	566	13.0	15.2
National Fuel Gas	600	7.8	22.9	352	16.6	32.5
American Tel & Tel	601	7.7	5.2	643	11.8	23.0
Central Steel & Wire	602	7.7	–71.5	826	8.3	–21.7
NBD Bancorp	603	7.6	7.5	340	17.0	33.8
Stauffer Chemical	604	7.6	–2.4	714	10.6	–3.2
NICOR	605	7.6	–25.8	224	19.8	24.8
TECO Energy	606	7.6	–17.4	386	16.0	12.4
Florida Power & Lt	607	7.5	27.9	338	17.0	24.8
Midland-Ross	608	7.4	–78.3	477	14.3	–5.9
A H Robins	609	7.4	24.3	682	11.2	11.1
ACF Industries	610	7.4	2.5	738	10.2	–8.2
Southern Pacific	610	7.4	–26.6	764	9.8	8.0
Blue Bell	612	7.4	–39.4	483	14.2	0.6
Wisconsin Elec Power	613	7.3	42.3	483	14.2	27.6
King Kullen Grocery	614	7.3	38.5	519	13.6	18.0
Texas Utilities	614	7.3	25.7	237	19.5	41.8
Stone Container	616	7.3	–41.5	709	10.6	11.3
Sterling Drug	617	7.3	4.8	724	10.4	6.9
California First Bank	618	7.2	–63.4	92	27.3	27.5
Corning Glass Works	619	7.2	–74.7	855	7.8	4.0
DeSoto	620	7.1	–50.2	966	3.6	–5.2
Allied Stores	621	7.0	–9.8	866	7.6	30.0
Gillette	622	7.0	6.7	789	9.3	2.2
Greyhound	623	7.0	–13.0	943	4.9	–3.7
Wisconsin Pwr & Lt	624	7.0	42.1	431	15.1	24.6
BanCal Tri-State	625	7.0	–49.6	628	12.0	30.6
Continental Telecom	626	6.9	6.5	379	16.1	37.1
Columbia Gas System	627	6.9	4.2	245	19.3	37.8
Godfrey	628	6.9	–19.1	639	11.9	15.3
Hawaiian Electric	629	6.8	33.0	194	20.6	45.2
International Paper	629	6.8	–67.6	852	7.8	–16.8

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit.

Who's where in growth

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Stokely-Van Camp	629	6.8%	58.4%	934	5.3%	5.0%
Gulf Oil	632	6.8	–26.2	718	10.5	6.9
Wisconsin Public Svc	632	6.8	4.9	446	14.8	30.3
Norton Simon	634	6.8	–2.9	669	11.4	0.0
Houston Industries	635	6.8	16.7	76	29.2	52.9
Louisiana Land	636	6.8	–56.7	109	25.9	16.2
Seafirst	637	6.7	P–D	126	24.3	36.5
Sigmor	637	6.7	P–D	34	37.7	32.9
Tenneco	639	6.7	–2.5	309	17.7	16.7
Interco	640	6.7	–20.1	709	10.6	10.2
Barnes Group	641	6.6	P–D	504	13.8	1.4
Equitable of Iowa	642	6.6	–50.5	291	18.2	5.1
No States Power	642	6.6	38.0	597	12.4	30.1
Dart & Kraft	644	6.5	–33.0	786	9.4	6.2
Delta Air Lines	645	6.5	P–D	379	16.1	21.2
American Petrofina	646	6.5	–35.4	375	16.2	8.4
Timken	646	6.5	–63.0	743	10.1	–14.2
Midcon	648	6.4	22.4	113	25.5	39.8
Comerica	649	6.4	–3.2	234	19.6	34.1
Central & South West	650	6.4	10.7	304	17.8	35.1
Cessna Aircraft	651	6.4	–60.7	497	13.9	–16.8
Nash Finch	651	6.4	8.4	613	12.2	12.8
Pay'n Save	653	6.3	–25.0	272	18.6	18.8
Boston Edison	654	6.3	–23.6	609	12.2	21.5
Caterpillar Tractor	654	6.3	–76.9	647	11.8	–8.0
Kansas-Neb Nat Gas	656	6.3	7.5	220	20.0	27.3
AmeriTrust	657	6.2	–0.6	465	14.5	12.0
Dana	658	6.2	–43.9	457	14.6	–6.5
Continental Group	659	6.1	–21.5	829	8.3	2.2
K mart	660	6.1	–24.3	423	15.3	16.2
Emery Air Freight	661	6.1	–47.4	383	16.1	10.0
MGM/UA Entertainment	661	6.1	–19.9	95	27.3	259.7
N Y State Elec & Gas	663	6.1	28.4	483	14.2	32.0
GTE	664	6.0	17.8	708	10.7	16.0
Ingersoll-Rand	665	6.0	–33.0	649	11.8	3.8
Rochester Gas & Elec	665	6.0	35.8	521	13.5	28.9
Boise Cascade	667	6.0	–98.9	673	11.4	–3.1
Reynolds Metals	667	6.0	P–D	676	11.3	–11.2
Public Service Indiana	669	6.0	38.2	453	14.7	20.9
Mead	670	5.9	–92.6	617	12.2	2.2
Harcourt Brace Jovan	671	5.9	–15.6	469	14.5	14.2
Ethyl	672	5.9	–1.8	765	9.8	–3.3
Allen Group	673	5.9	–82.1	879	7.3	–6.8
L B Foster	673	5.9	–76.1	592	12.5	–4.2
J C Penney	673	5.9	34.3	839	8.2	2.4
Amfac	676	5.8	–62.7	742	10.2	11.7
Bucyrus-Erie	677	5.8	–44.3	815	8.7	33.0
CBS	678	5.8	–37.6	553	13.1	4.9
Hoover Universal	678	5.8	–20.2	740	10.2	–3.3
Northern Trust	680	5.8	10.1	249	19.2	32.9
Carson Pirie Scott	681	5.7	–53.6	673	11.4	30.4
Echlin	682	5.6	41.8	428	15.2	44.1
Sherwin-Williams	682	5.6	33.1	760	9.9	38.7
Athlone Industries	684	5.6	–59.6	954	4.4	–10.0
Equifax	685	5.6	3.8	790	9.3	12.6
Robertshaw Controls	685	5.6	–44.4	808	8.8	–3.3
Penn Traffic	687	5.5	–10.8	366	16.3	9.9
National City	688	5.5	–3.7	167	22.2	24.8
AMAX	689	5.5	P–D	351	16.7	–11.0
Ferro	690	5.5	–52.6	570	12.9	–5.4
Culbro	691	5.4	–31.0	962	3.9	–1.3
Federal Co	691	5.4	1.2	435	15.0	16.8
Varian Associates	691	5.4	155.1	559	13.1	18.3
Wm Wrigley Jr	694	5.4%	13.4%	696	10.9%	5.1%
Walter E Heller Intl	695	5.4	104.2	303	17.9	17.3
Super Food Services	696	5.3	24.8	348	16.8	16.7
Peoples Energy	697	5.3	–1.1	276	18.5	27.1
Alexander & Baldwin	698	5.2	–15.9	960	4.0	–5.6
Maytag	698	5.2	–13.6	847	7.9	7.6
Commonwealth Energy	700	5.1	–11.5	695	11.0	22.8
Marion	701	5.1	P–D	42	34.0	7.3
Ideal Basic Inds	702	5.0	P–D	773	9.6	–7.3
Niagara Mohawk Power	703	5.0	30.2	516	13.6	27.5
Ralston Purina	703	5.0	–54.2	829	8.3	–2.1
American Family	705	5.0	–20.1	70	30.2	29.7
Riegel Textile	705	5.0	–46.7	869	7.4	–4.5
Central Illinois Lt	707	4.9	25.2	390	15.9	18.8
Goodyear	708	4.9	18.5	813	8.7	2.8
Federal Paper Board	709	4.9	0.4	917	5.8	10.4
Intl Minerals & Chem	709	4.9	–11.5	798	9.0	–17.1
Safeway Stores	709	4.9	15.0	738	10.2	14.9
Allied Corp	712	4.8	13.5	335	17.1	18.4
Southwestern Pub Svc	713	4.7	22.9	242	19.4	28.7
Mountain Fuel Supply	714	4.7	33.1	218	20.0	35.3
ARA Services	715	4.6	–29.3	476	14.4	6.2
Baltimore Gas & Elec	716	4.5	12.8	515	13.7	29.7
Transway Intl	717	4.5	–23.2	914	6.0	–9.6
Gas Service	718	4.5	–31.8	279	18.4	45.6
Kansas Power & Light	718	4.5	16.2	407	15.5	23.3
Michigan National	720	4.5	–97.1	287	18.2	28.8
Southwest Forest Inds	720	4.5	P–D	895	6.8	–19.0
Southern Calif Edison	722	4.4	19.2	392	15.9	26.3
Eaton	723	4.4	–53.4	650	11.8	–12.4
Household Intl	724	4.4	–22.2	457	14.6	23.9
Montana Power	725	4.3	18.9	252	19.2	12.6
Potomac Elec Power	726	4.3	13.1	609	12.2	23.8
Collins & Aikman	727	4.3	35.3	833	8.3	5.2
Intl Tel & Tel	728	4.2	–2.5	840	8.1	–5.2
Washington Gas Light	729	4.2	4.0	405	15.6	43.0
Union Carbide	730	4.1	–35.0	725	10.4	–5.9
Kansas City Pwr & Lt	731	4.1	13.8	452	14.7	11.9
Anchor Hocking	732	4.1	–54.6	702	10.8	6.4
Colgate-Palmolive	733	4.1	24.3	745	10.1	1.8
Western Union	734	4.0	148.7	871	7.4	19.4
Pacific Gas & Elec	735	4.0	35.2	319	17.4	25.8
DEKALB AgResearch	736	3.9	–52.9	555	13.1	9.1
Lowe's Companies	736	3.9	9.2	576	12.8	7.3
Textron	738	3.9	–25.2	899	6.7	–9.9
Armco	739	3.8	P–D	570	12.9	4.0
Butler Manufacturing	740	3.8	–41.0	840	8.1	1.6
Consumers Power	741	3.7	1.4	594	12.4	18.1
Indianapolis Pwr & Lt	741	3.7	–5.3	527	13.5	13.8
Pennwalt	741	3.7	–23.9	817	8.5	–11.3
Carolina Pwr & Lt	744	3.7	6.8	464	14.5	33.0
Union Electric	745	3.6	13.1	596	12.4	15.4
Pacific Pwr & Lt	746	3.6	21.0	128	24.1	33.6
Squibb	746	3.6	8.7	888	7.0	4.1
Circle K	748	3.5	P–D	263	18.9	37.3
St Regis Paper	749	3.5	–30.9	685	11.1	–3.0
Dow Chemical	750	3.5	–47.7	439	14.9	4.3
American Cyanamid	751	3.5	–19.5	676	11.3	3.1
Arizona Public Service	752	3.4	14.5	318	17.5	34.0
Florida Progress	753	3.4	–3.1	365	16.3	18.3
WICOR	753	3.4	–21.0	304	17.8	36.8
Owens-Corning Fbrgls	755	3.3	–66.2	333	17.2	1.0
B F Goodrich	756	3.2	P–D	803	8.9	–0.4

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit.

Who's where in growth

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
RCA	756	3.2%	–8.9%	797	9.0%	4.4%
Pub Svc Elec & Gas	758	3.2	5.2	552	13.1	29.5
Cummins Engine	759	3.2	–70.0	529	13.5	–6.6
Liquid Air	760	3.1	–14.9	656	11.6	10.4
Cities Service	761	3.0	–29.8	354	16.6	6.9
Gulf States Utils	761	3.0	–10.5	235	19.6	19.7
National Distillers	763	3.0	–24.0	881	7.2	–8.2
Olin	763	3.0	8.6	876	7.3	–1.3
Atlanta Gas Light	765	2.9	–34.4	174	21.9	39.5
Middle South Utils	766	2.8	12.2	299	18.0	24.1
Manufacturers National	767	2.8	–9.1	246	19.3	24.4
Cincinnati G & E	768	2.8	7.1	472	14.4	29.3
Delmarva Power & Lt	769	2.7	20.2	513	13.7	22.7
Allegheny Power	770	2.7	32.4	388	15.9	33.9
Associated Dry Goods	771	2.6	1.9	749	10.0	43.0
Central Ill Pub Svc	771	2.6	16.0	450	14.8	15.7
Quaker State Oil	773	2.6	30.6	260	18.9	16.4
Illinois Power	774	2.5	10.2	377	16.1	25.3
Copperweld	775	2.5	–62.4	704	10.7	–11.8
Georgia-Pacific	776	2.4	–52.2	564	13.0	0.9
Black & Decker	777	2.4	P–D	521	13.5	–14.6
Weyerhaeuser	778	2.3	–61.4	751	10.0	–4.3
Kerr Glass Mfg	779	2.3	3.0	565	13.0	23.0
Armstrong World Inds	780	2.3	–64.4	873	7.3	–4.1
United Illuminating	780	2.3	34.9	466	14.5	21.0
Central Soya	782	2.2	–35.1	906	6.3	–2.6
Burroughs	783	2.2	–10.6	575	12.8	33.4
Dayton Power & Light	784	2.1	28.6	461	14.6	31.6
So Carolina E & G	785	2.1	–4.7	412	15.5	25.3
Raymond Intl	786	1.9	3.1	78	28.6	96.4
Phila Electric	787	1.9	17.4	562	13.1	28.7
Sears, Roebuck	788	1.9	4.9	870	7.4	13.4
Louisiana-Pacific	789	1.8	P–D	402	15.6	–27.0
Potlatch	789	1.8	–67.3	821	8.5	–0.8
Utah Power & Light	789	1.8	3.8	158	22.5	23.9
Long Island Lighting	792	1.8	5.3	433	15.0	23.4
Eagle-Picher Inds	793	1.7	–48.1	819	8.5	–1.7
Deere	794	1.7	–66.3	637	11.9	–7.4
Eastern Gas & Fuel	795	1.7	26.6	637	11.9	35.7
Stewart-Warner	796	1.6	–51.8	946	4.9	–12.8
Detroit Edison	797	1.6	–12.2	681	11.3	14.1
Wetterau	798	1.6	–8.1	489	14.1	33.7
Easco	799	1.6	38.2	639	11.9	11.7
Fleetwood Enterprises	799	1.6	187.9	760	9.9	17.3
White Consolidated	799	1.6	–57.6	661	11.5	–4.9
Rexnord	802	1.5	–77.9	619	12.1	–7.0
San Diego Gas & Elec	803	1.4	64.3	184	21.3	42.7
Amer Maize-Products	804	1.4	–9.3	703	10.7	–13.1
A O Smith	805	1.3	P–D	936	5.1	–9.4
Penn Power & Light	806	1.3	8.4	635	11.9	27.8
Bethlehem Steel	807	1.2	P–D	922	5.8	–16.9
First Chicago	808	1.1	33.4	265	18.9	29.3
BancOhio	809	1.1	5.2	339	17.0	27.5
Willamette Inds	809	1.1	P–D	508	13.8	–1.3
Gould	811	1.0	–22.9	441	14.9	–0.9
Munford	812	0.9	167.9	976	2.7	16.[illegible]
Cleveland Elec Illum	813	0.8	29.5	593	12.5	19.7
Ryan Homes	813	0.8	–90.7	584	12.7	–24.8
Atlantic City Elec	815	0.7	–17.6	495	14.0	27.9
Pac Gamble Robinson	816	0.6	–33.7	829	8.3	11.4
Commonwealth Edison	817	0.6	28.2	491	14.1	25.7
Oklahoma Gas & Elec	818	0.4	54.7	273	18.6	26.3
Skyline	818	0.4	–28.5	965	3.7	–23.6

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Harris Bankcorp	820	0.4%	23.2%	250	19.2%	28.0%
AMF	821	0.3	–33.8	949	4.8	–17.1
Sybron	821	0.3	–50.1	931	5.5	–12.5
Portland Genl Elec	823	0.1	64.7	209	20.3	21.3
Champion Intl	824	0.0	–91.2	878	7.3	–2.6
Adolph Coors	825	–0.1	–22.3	753	10.0	7.9
Monsanto	826	–0.2	8.3	698	10.8	–2.3
Northeast Utilities	827	–0.2	34.3	524	13.5	29.3
Southern Company	827	–0.2	22.7	461	14.6	28.4
UMC Industries	829	–0.4	–39.9	766	9.8	–1.6
Carter Hawley Hale	830	–0.5	–42.2	402	15.6	12.3
Va Electric & Power	831	–0.5	11.4	426	15.3	16.8
Polaroid	832	–0.7	–36.1	735	10.2	–4.6
Louisville Gas & Elec	833	–0.8	–7.3	369	16.3	25.3
Koppers	834	–0.8	–65.5	651	11.7	–7.0
Public Service Colo	835	–1.0	20.8	218	20.0	33.4
Coastal Corp	836	–1.2	–38.1	72	29.8	8.8
Dayco	837	–1.2	–65.6	782	9.5	–2.6
Fruehauf	838	–1.2	P–D	683	11.2	–13.6
Brockway Inc (NY)	839	–1.3	–8.4	555	13.1	17.0
Burlington Inds	840	–1.3	–43.0	939	5.0	–2.4
Diamond Shamrock	841	–1.4	–13.1	227	19.7	11.3
Toledo Edison	842	–1.5	18.8	393	15.9	17.3
American Elec Power	843	–1.7	–8.8	325	17.3	17.6
Amstar	843	–1.7	–63.3	967	3.6	–12.1
Arvin Industries	845	–1.8	–42.7	885	7.1	7.0
Dravo	846	–1.8	–77.4	609	12.2	15.8
Amerace	847	–1.9	–76.5	915	5.9	–12.7
Colonial Penn Group	848	–2.1	–26.2	207	20.3	33.0
Amer Hoist & Derrick	849	–2.2	P–D	825	8.4	–7.5
Fisher Foods	850	–2.2	–39.1	987	0.3	–47.1
Manville	851	–2.4	P–D	630	12.0	–10.5
Hoover	852	–2.4	P–D	917	5.8	–12.3
Kentucky Utilities	852	–2.4	32.8	492	14.0	24.8
Genl Tire & Rubber	854	–2.5	–54.3	958	4.1	–5.8
Ohio Edison	855	–2.5	16.8	494	14.0	25.6
Warner-Lambert	856	–2.8	61.0	803	8.9	–0.9
Bell & Howell	857	–3.1	377.6	854	7.8	14.5
Outboard Marine	858	–3.2	119.8	893	6.8	4.9
Crane	859	–3.2	–78.3	920	5.8	–19.9
Del E Webb	860	–3.3	P–D	912	6.0	–27.7
Jim Walter	861	–3.3	–92.1	792	9.2	–2.4
Crown Zellerbach	862	–3.3	–51.4	793	9.2	–0.1
Kellwood	863	–3.4	354.4	887	7.0	4.3
Duquesne Light	864	–3.4	5.0	576	12.8	10.4
Royal Crown Cos	864	–3.4	13.2	715	10.6	5.1
Champion Spark Plug	866	–3.4	–45.4	732	10.3	–3.0
Northwestern Steel	867	–3.7	P–D	845	8.0	–40.7
Interlake	868	–4.2	–50.7	799	9.0	–23.1
Frederick & Herrud	869	–4.2	–90.5	499	13.9	33.1
Wheeling-Pitts Steel	870	–4.3	P–D	961	3.9	–27.1
Yellow Freight System	871	–4.3	–29.6	544	13.2	9.5
Borman's	872	–4.4	D–P	706	10.7	3.4
Hanna Mining	873	–4.5	P–D	986	0.3	–51.9
Williams Cos	874	–4.8	–68.9	525	13.5	–10.7
Armstrong Rubber	875	–5.1	793.2	787	9.4	27.5
Diamond Intl	876	–5.3	–72.6	851	7.8	–20.3
Lukens	877	–5.4	–38.2	871	7.4	3.9
McDermott	878	–5.4	42.4	56	32.4	18.1
Chic Pneumatic Tool	879	–5.9	P–D	743	10.1	–12.3
Colt Industries	880	–6.3	P–D	659	11.6	–22.4
Libbey-Owens-Ford	881	–6.3	–53.0	820	8.5	–5.7
Chromalloy American	882	–6.5	P–D	814	8.7	–24.8

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit.

Who's where in growth

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Republic Steel	883	−6.5%	P–D	826	8.3%	−21.0%
Longview Fibre	884	−6.8	−87.9%	809	8.7	5.9
Mohasco	885	−6.9	−2.9	970	3.3	−18.7
Fidelcor	886	−7.8	101.5	837	8.2	29.2
United States Steel	887	−8.0	−75.3	753	10.0	36.5
Avondale Mills	888	−8.0	−88.2	928	5.6	−12.6
No Indiana Pub Svc	889	−8.2	−48.3	259	19.0	22.9
Zenith Radio	890	−8.5	P–D	959	4.0	8.6
Grumman	891	−8.6	24.4	924	5.7	23.7
Phelps Dodge	892	−8.8	P–D	910	6.0	−21.3
General Motors	893	−8.9	4.6	810	8.7	−0.9
J P Stevens	894	−9.2	41.6	860	7.6	−1.2
NVF	895	−9.3	P–D	582	12.7	0.8
Kane-Miller	896	−9.7	53.3	988	−0.7	21.2
U S Industries	897	−9.7	D–P	995	−4.1	−11.8
G C Murphy	898	−10.0	−46.3	890	6.9	5.4
Reichhold Chemicals	899	−10.5	−96.0	632	12.0	−6.9
American Can	900	−10.8	P–D	778	9.6	−6.6
Gt Western Financial	901	−12.3	P–D	281	18.4	32.1
Inland Steel	902	−12.4	P–D	842	8.1	−15.5
Northwest Airlines	903	−12.5	−85.6	599	12.4	15.0
Toro	904	−13.0	P–D	358	16.5	−36.7
National Steel	905	−13.5	P–D	848	7.8	−18.6
Sheller-Globe	906	−13.7	604.5	908	6.2	−6.7
Beneficial Corp	907	−14.2	P–D	883	7.1	−10.5
Tiger International	908	−14.3	P–D	107	26.3	14.0
General Public Utils	909	−14.7	−27.4	517	13.6	30.0
Pittston	910	−15.0	−12.1	763	9.8	24.8
Primark	911	−15.0	30.8	361	16.4	18.4
Olympia Brewing	912	−15.1	P–D	864	7.6	−10.1
Castle & Cooke	913	−15.3	P–D	454	14.7	1.6
Monfort of Colorado	914	−15.7	D–P	341	16.9	36.3
Golden West Finl	915	−16.1	P–D	53	32.7	46.3
National-Standard	916	−16.5	P–D	911	6.0	−22.3
H F Ahmanson	917	−16.7	P–D	274	18.6	35.8
Foodarama Supermkts	918	−17.1	813.8	932	5.4	2.4
Amdahl	919	−17.7	−51.6	193	20.7	16.2
Clark Equipment	920	−18.1	P–D	980	2.2	−26.9
UAL	921	−19.2	D–D	615	12.2	12.5
F W Woolworth	922	−19.4	P–D	876	7.3	−18.7
First Charter Finl	923	−19.5	P–D	356	16.6	9.1
El Paso	924	−20.2	D–P	222	19.9	13.1
Harnischfeger	925	−20.4	P–D	745	10.1	−17.8
RLC	926	−21.0	−70.0	928	5.6	−4.2
Allis-Chalmers	927	−23.7	P–D	900	6.6	−16.2
Macmillan	928	−24.6	D–P	981	0.9	−22.6
Alexander's	929	−27.4	D–P	907	6.3	2.5
Graniteville	930	−29.2	P–D	950	4.7	−13.8
Certain-teed	931	−29.6	D–D	873	7.3	−9.9
Consol Petroleum	932	−35.3	P–D	4	84.0	43.2
Masonite	933	−35.8	P–D	985	0.4	−7.5
Pabst Brewing	934	−38.6	D–P	953	4.5	−6.0
AMR	935	−45.2	D–D	457	14.6	10.6
Peabody Intl	936	−45.5	2,000.0	737	10.2	14.1
Ramada Inns	937	−47.7	P–D	665	11.5	37.3
Fedl Natl Mortgage	938	−53.8	D–D	343	16.8	34.9
Westmoreland Coal	939	−56.1	D–P	952	4.6	27.2
AM International	940	P–D	D–D	934	5.3	−20.6
American Bakeries	940	P–D	D–D	951	4.6	−1.0
American Motors	940	P–D	D–D	940	5.0	−4.0

Company	Earnings per share			Sales		
	rank	5-year average*	82† vs 1979-81	rank	5-year average*	82† vs 1979-81
Bird & Son	940	P–D	D–D	866	7.6%	−24.5%
Braniff Intl	940	P–D	D–D	451	14.8	−15.9
Chrysler	940	P–D	D–P	994	−3.3	−0.9
Firestone	940	P–D	P–D	955	4.3	−17.2
First Pennsylvania	940	P–D	D–D	892	6.9	−19.0
Ford Motor	940	P–D	D–D	859	7.7	−6.8
GAF	940	P–D	D–D	992	−2.3	−26.7
General Refractories	940	P–D	D–D	897	6.7	−18.9
Gibraltar Financial	940	P–D	D–D	157	22.6	26.9
Gulf Resources & Chem	940	P–D	D–D	694	11.0	−28.3
Edward Hines Lumber	940	P–D	D–D	919	5.8	−34.9
Inco	940	P–D	D–D	941	5.0	−43.5
Intl Harvester	940	P–D	D–D	927	5.6	−23.1
Interstate Bakeries	940	P–D	D–P	858	7.7	10.3
Jonathan Logan	940	P–D	D–P	973	3.0	−7.2
Kaiser Steel	940	P–D	D–P	905	6.3	−16.6
KDT Industries	940	P–D	D–D	572	12.9	−23.4
Keystone Consolidated	940	P–D	D–D	962	3.9	−18.0
Lockheed	940	P–D	D–P	843	8.1	12.1
Massey-Ferguson	940	P–D	D–D	957	4.1	−22.5
Pantry Pride	940	P–D	D–P	999	−8.7	−26.1
Pettibone	940	P–D	P–D	785	9.5	−27.3
Republic Airlines	940	P–D	D–D	27	41.0	55.2
Sambo's Restaurants	940	P–D	D–D	728	10.4	−38.0
Talley Industries	940	P–D	D–D	984	0.6	−21.9
Uniroyal	940	P–D	D–P	983	0.8	−13.6
Western Air Lines	940	P–D	D–D	604	12.3	4.4
Wickes Cos	940	P–D	D–D	280	18.4	12.8
Allied Supermarkets	971	D–D	D–P	1000	−8.7	1.9
Commonwealth Oil Rfg	971	D–D	D–D	978	2.5	−58.0
Cook United	971	D–D	P–D	969	3.4	39.5
Eastern Air Lines	971	D–D	D–D	477	14.3	11.1
Great Atl & Pac Tea	971	D–D	D–P	989	−1.2	−21.2
Pan Am World Airways	971	D–D	P–D	442	14.9	10.2
Rath Packing	971	D–D	D–D	982	0.8	11.6
Singer	971	D–D	D–D	975	2.8	−5.6
Texas Air	971	D–D	D–D	23	42.2	275.7
United Merch & Mfrs	971	D–D	D–D	998	−7.6	−19.3
Wilson Foods	971	D–D	D–P	974	3.0	−2.8
Arden Group		D–P	14.8%	990	−1.7	0.9
Beverly Enterprises		D–P	57.0	40	35.4	129.8
CNA Financial		D–P	−17.9	833	8.3	9.3
Donaldson, Lufkin		D–P	50.0	24	41.8	33.0
GEICO		D–P	−0.6	948	4.8	10.1
Genesco		D–P	P–D	997	−6.4	−21.7
HRT Industries		D–P	−95.1	671	11.4	17.7
LTV		D–P	−80.5	141	23.2	−4.6
MCI Communications		D–P	327.3	6	58.4	155.0
Pueblo International		D–P	38.7	996	−6.0	21.3
Revere Copper		D–P	P–D	838	8.2	−17.8
Rohr Industries		D–P	83.1	968	3.5	16.8
Scot Lad Foods		D–P	−52.7	979	2.3	0.9
Shopwell		D–P	139.3	791	9.3	20.7
Todd Shipyards		D–P	50.2	173	21.9	23.4
United Brands		D–P	P–D	725	10.4	2.0
Valero Energy		D–P	46.8	267	18.7	15.1
Warnaco		D–P	27.2	921	5.8	6.3
CIGNA		**	**		**	**
Imperial Corp of Am		**	P–D		**	**
Swift Independent		**	**	850	7.8	13.3

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.6%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.

†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit; not ranked. D-D: deficit to deficit. **Not available; not ranked.

The superstars on the list below are mighty impressive, but hindsight is still hindsight; look further down for the superstars of the next five years.

Who's where in the stock market

THERE'S NOTHING LIKE a market rally, even at the tail end of a five-year period. Last year, when we reported on market performance of 1,000 companies in the FORBES Report on American Industry, two out of three had failed even to keep pace with post-1975 inflation. This year, it's close to half: Of the 976 companies ranked below, the stocks of 471 bettered the 58% rise in the Consumer Price Index between Jan. 1, 1978 and Nov. 17, 1982.

A lot of that gain, of course, has come in the past year, especially since August, vaulting some of the star performers to the top of the list. This is particularly true of the brokerage house stocks: E.F. Hutton, Donaldson, Lufkin, Paine Webber and First Boston all rank among the top 50 companies. And, as usual, the stocks below outperformed the narrow market measures, showing a median gain of 54.5% over the five-year period. That is not spectacular, considering 58% inflation, but better than the DJIA—up just 24% over the same period—and the S&P's 500, up 45%. The Wilshire 5000, the broadest market measure of all, was up 61%, but at that, 458 of the ranked companies bettered even the Wilshire.

Some of the superstars at the top of the list are impressive, especially if you bought them five years ago. If you didn't, then hindsight, after all, is only hindsight. The stars of the next five years may be a good deal further down. The lower reaches of the list, in fact, are fully as interesting as the 1,000% and 2,000% gainers at the top. There are some intriguing names down there with smokestack industries and hardship cases, or in the midrange treadmill of stocks that went nowhere in five years, neither gaining nor losing more than a percentage point or two.

Despite the recent market rise, over 400 of these 1,002 companies are selling at less than book value, over 60 at P/Es of 5 or less. From their ranks, perhaps, will come more than a few examples of what will be, instead of what might have been.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
1	1	First Executive	2,530.4%	15⅛– ½	14⅝	$4.72	3.1	$1.37	11	none	0.0%
2	*	MCI Communications	2,114.2	39¾– 1⅜	37⅜	2.51	14.9	1.41	27	none	0.0
3	3	Subaru of America	1,891.3	60¼– 2¾	57¼	11.03	5.2	6.28	9	$0.92	1.6
4	2	Wang Laboratories	1,699.7	55⅜– 2½	52⅞	9.63	5.5	1.87	28	0.16	0.3
5	*	Comdisco	1,473.2	29¼– 1⅝	27½	5.17	5.3	2.27	12	0.24	0.9
6	6	Humana	1,449.0	43⅜– 2¼	39⅜	6.02	6.5	2.14	18	0.80	2.0
7	39	Toys "R" Us	1,151.6‡	50⅝– 2⅜	47¾	6.65	7.2	1.50	32	none	0.0
8	20	Bergen Brunswig	1,130.8	34 – 2½	32	7.66	4.2	1.69	19	0.32	1.0
9	17	Tandy	1,002.9	51¼– 3⅞	48¼	7.83	6.2	2.27	21	none	0.0
10	13	Anixter Bros	966.2	20⅞– 1⅜	19	6.68	2.8	1.13	17	0.20	1.1
11	51	Food Town Stores	930.3	23 – 1⅞	19¾	2.99	6.6	0.79	25	0.08	0.4
12	74	Zayre	860.1	68 – 5⅞	68	30.22	2.3	4.17	16	0.40	0.6
13	*	Beverly Enterprises	856.3	39¼– 3⅜	38¼	12.35	3.1	1.91	20	0.40	1.0
14	24	E F Hutton Group	757.0	48⅞– 4½	44¾	19.40	2.3	3.47	13	0.80	1.8
15	36	Wal-Mart Stores	754.2	44⅞– 4⅜	43¼	5.09	8.5	1.53	28	0.18	0.4
16	19	SCOA Industries	743.7	38 – 3⅞	36	9.81	3.7	2.19	16	0.64	1.8
17	31	Sysco	707.1	37¾– 4⅛	35⅞	9.98	3.6	1.82	20	0.32	0.9
18	12	Waste Management	691.5	53½– 5¾	50⅛	9.74	5.1	2.31	22	0.52	1.0
19	9	Natl Medical Entrprs	668.3	28¾– 3⅛	26	9.09	2.9	1.68	15	0.50	1.9
20	3	M/A-Com	638.1	35½– 2⅞	23⅜	6.77	3.5	0.80	29	0.16	0.7
21	29	Metromedia	634.5	280 – 31½	258	36.95	7.0	27.95	9	5.00	1.9
22	23	General Instrument	607.4	52½– 6½	51⅞	16.51	3.1	3.38	15	0.50	1.0
23	16	Piedmont Aviation	602.5	39 – 5¼	35⅛	18.63	1.9	4.01	9	0.28	0.8
24	182	U S Air	576.7	27⅞– 3¾	25⅜	20.26	1.3	3.42	7	0.12	0.5
25	103	Donaldson, Lufkin	568.0	23⅜– 2½	20⅞	9.01	2.3	1.33	16	0.20	1.0
26	10	Caesars World	554.5	36⅛– 1½	10	6.44	1.6	0.04	NM	none	0.0
27	161	Paine Webber	546.4	39⅛– 4¾	33⅞	10.31	3.3	2.52	13	0.50	1.5
28	65	Baldwin-United	542.7	50⅝– 6⅞	47	14.58	3.2	5.64	8	0.88	1.9
29	5	Chic & North Western	531.5	36⅜– 3⅛	22⅜	12.13	1.9	–0.93	def	none	0.0
30	44	Big V Supermarkets	529.6	15⅝– 2½	15½	6.73	2.3	1.57	10	0.40	2.6
31	37	Hospital Corp of Am	515.3	57¼– 7½	55⅛	15.34	3.6	2.82	20	0.44	0.8
32	33	G Heileman Brewing	498.3	39⅝– 5⅞	39	12.01	3.2	3.33	12	0.80	2.1
33	15	Warner Communications	494.7	63¼– 8⅜	56⅞	18.55	3.1	4.64	12	1.00	1.8
34	43	EG&G	494.3	28½– 4¼	26⅜	4.86	5.4	1.35	20	0.36	1.4
35	126	Walgreen	488.8	56¾– 8	52⅝	16.95	3.1	3.73	14	1.20	2.3
36	135	Electronic Data Systems	476.9	49½– 7⅜	46⅞	7.09	6.6	1.82	26	0.64	1.4
37	93	GEICO	443.1	44⅛– 5⅝	44⅛	11.60	3.8	3.49	13	0.56	1.3
38	30	Amer Medical Intl	441.4	36¾– 5½	34⅛	10.63	3.2	2.25	15	0.52	1.5
39	11	Federal Express	413.3‡	72¼– 6	67⅜	16.88	4.0	3.79	18	none	0.0
40	64	Lockheed	405.0	84½– 12⅞	75¾	7.67	9.9	9.86	8	none	0.0
41	34	Berkshire Hathaway	400.0	690 –134	690	526.30	1.3	31.17	22	none	0.0
41	332	First Boston	400.0	78 – 10	75	39.93	1.9	14.82	5	3.00	4.0
43	14	Todd Shipyards	396.1	38¼– 5⅞	31⅝	23.58	1.3	6.46	5	1.12	3.5
44	97	James River Corp Va	386.8	28⅜– 5½	28⅛	14.62	1.9	3.02	9	0.40	1.4
45	54	Tyson Foods	381.1	23¾– 4½	22¼	12.08	1.8	2.43	9	0.16	0.7
46	45	Teledyne	379.6	174¾– 25½	132⅞	82.61	1.6	18.05	7	none	0.0
47	4	Storage Technology	364.3	40⅜– 4⅝	25¼	13.97	1.8	2.48	10	none	0.0
48	259	VF	363.4	41½– 8¼	41⅛	14.99	2.7	4.60	9	1.60	3.9
49	250	Shopwell	362.5	18⅝– 3⅛	18½	15.64	1.2	2.01	9	0.12	0.6
50	21	Texas Oil & Gas	358.7	41¾– 5⅛	31¾	7.34	4.3	2.59	12	0.28	0.9
51	83	Warnaco	358.3	40¾– 7⅜	40⅜	26.83	1.5	5.10	8	1.20	3.0
52	154	Marriott	357.5	58⅞– 10½	53¾	16.12	3.3	3.36	16	0.30	0.6
53	81	Browning-Ferris Inds	355.4	50 – 9¼	47¼	14.24	3.3	2.94	16	1.00	2.1
54	27	Nucor	354.7	82¼– 11½	55¾	30.50	1.8	3.61	15	0.52	0.9
55	179	E-Systems	352.1	47 – 7⅜	44½	11.42	3.9	2.21	20	0.70	1.6
56	18	Natl Convenience Stores	348.4	19¾– 3½	18½	5.95	3.1	1.32	14	0.54	2.9
57	55	Cullum Companies	346.3	34½– 6½	34¼	18.54	1.8	2.94	12	1.00	2.9
58	245	U S Home	343.0	33 – 5⅛	27	16.98	1.6	–0.30	def	0.16	0.6
59	444	Merrill Lynch	339.2	71¼– 13¼	65⅞	30.08	2.2	5.48	12	1.44	2.2
60	63	Republic New York	335.6	41½– 8⅜	37¾	26.11	1.4	5.12	7	1.40	3.7
61	*	Payless Cashways	335.1	45 – 8½	40¼	8.57	4.7	1.71	24	0.20	0.5
62	183	R H Macy	327.7	60⅜– 10⅜	56½	23.75	2.4	4.39	13	1.00	1.8

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. NM: not meaningful. def: deficit.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
63	192	Pneumo	320.6%	34¼– 7	30⅜	$14.75	2.1	$3.14	10	$0.80	2.6%
64	143	Supermarkets General	319.4	39¼– 8	37¾	20.30	1.9	4.46	8	0.68	1.8
65	66	Servicemaster Inds	319.3	40¼– 8¼	39¾	3.65	10.9	1.39	29	1.04	2.6
66	*	PHH Group	318.6	33¼– 6½	30⅞	10.45	3.0	1.98	16	0.74	2.4
67	57	ConAgra	317.7	28¾– 5¾	26⅝	11.85	2.2	2.46	11	1.00	3.8
68	49	Cincinnati Milacron	314.0	46¾– 5⅞	29½	15.17	1.9	1.36	22	0.72	2.4
69	56	Litton Industries	313.2	88½– 12¼	54	39.50	1.4	7.53	7	1.60	3.0
70	107	Avnet	319.8	64 – 12½	59¾	27.86	2.1	3.80	16	1.00	1.7
71	410	Stop & Shop Cos	308.5	48⅜– 10⅛	45¾	29.94	1.5	6.01	8	1.30	2.8
72	26	Gates Learjet	302.8	29⅛– 3⅛	14⅜	9.88	1.5	1.00	14	0.20	1.4
73	159	Loews	298.6	159½– 31⅛	143½	100.60	1.4	18.78	8	1.20	0.8
74	181	Pay Less Drug NW	292.9	29¼– 6¾	27½	10.38	2.6	1.94	14	0.44	1.6
75	48	Brown-Forman Dist	292.6	45⅛– 9¼	40	15.30	2.6	3.59	11	0.88	2.2
76	301	Hannaford Bros	289.8	45¼– 10½	42⅞	25.21	1.7	5.51	8	1.40	3.3
77	*	Allied Bancshares	284.6	34⅛– 7¾	31¼	12.88	2.4	4.09	8	1.00	3.2
78	368	General Host	283.3	15½– 3½	13⅞	13.13	1.1	1.99	7	0.40	2.9
79	215	Marsh Supermarkets	279.1	18⅝– 4	15⅞	11.09	1.4	1.87	8	0.48	3.0
80	134	Dean Foods	278.9	31⅜– 7⅜	30	12.73	2.4	2.85	11	0.76	2.5
81	273	Hewlett-Packard	277.5	71½– 15½	69⅛	15.66	4.4	3.05	23	0.24	0.3
82	403	Dillard Dept Stores	277.4	50½– 12	50	39.24	1.3	6.04	8	0.40	0.8
83	121	Dow Jones	277.2	69 – 14⅞	64⅛	8.59	7.5	2.75	23	1.08	1.7
84	52	Mission Insurance	276.1	32⅞– 6	28	16.79	1.7	3.86	7	0.80	2.9
85	246	Peoples Drug Stores	275.0	27¼– 5⅝	25½	13.41	1.9	2.08	12	0.36	1.4
86	35	Parsons	274.0	36⅜– 5	20½	8.09	2.5	2.22	9	1.00	4.9
87	138	Capital Cities Commun	273.4	118 – 27⅛	112¼	34.07	3.3	6.85	16	0.20	0.2
88	91	Blount	268.6	21⅜– 4½	16⅛	12.37	1.3	2.12	8	0.60	3.7
89	113	Republic Finl Svcs	266.1	45 – 10⅜	44⅝	23.64	1.9	3.55	13	1.20	2.7
90	110	McGraw-Hill	264.9	73 – 16⅜	70¼	19.92	3.5	4.24	17	1.88	2.7
91	404	Giant Food	264.9	45½– 11⅛	45	27.00	1.7	7.21	6	1.30	2.9
92	76	Alleghany	261.5	56 – 13⅝	55⅛	37.32	1.5	5.71	10	1.08	2.0
93	240	Brown Group	260.8	57¾– 14⅛	55⅝	31.01	1.8	5.33	10	1.76	3.2
94	122	General Cinema	254.5	30½– 6⅝	27¼	9.18	3.0	2.36	12	0.52	1.9
95	38	Resorts Intl	252.5	70 – 6⅜	26	21.63	1.2	3.19	8	none	0.0
96	25	Whittaker	251.7	50⅞– 7⅛	26⅜	21.84	1.2	4.40	6	1.60	6.1
97	282	Stone Container	250.5	24¼– 5⅝	21½	13.76	1.6	1.23	17	0.60	2.8
98	331	Dibrell Brothers	248.3	29½– 7½	28¼	22.83	1.2	4.40	6	0.92	3.3
99	89	Hilton Hotels	244.2	52¼– 11⅜	44¾	19.98	2.2	3.51	13	0.80	1.8
100	489	CFS Continental	243.6	34⅞– 6¼	33½	17.20	1.9	2.57	13	0.52	1.6
101	145	G D Searle	243.6	45¼– 10⅝	43⅜	11.40	3.8	2.85	15	0.52	1.2
102	79	Bally Manufacturing	239.6	48⅜– 7⅞	29½	15.26	1.9	3.53	8	0.20	0.7
103	278	Anheuser-Busch Cos	238.0	70¾– 17½	66¾	26.53	2.5	5.82	11	1.48	2.2
104	73	Std Comml Tobacco	238.0	18½– 6	18¼	19.55	0.9	4.10	4	0.40	2.2
105	137	Washington Post	235.7	60 – 15½	60	15.17	4.0	3.41	18	0.56	0.9
106	150	Ryder System	234.9	48¾– 11⅝	45½	23.32	2.0	3.85	12	1.08	2.4
107	88	Empire	234.9	49½– 5⅞	22½	11.66	1.9	1.36	17	0.40	1.8
108	166	Commercial Metals	234.8	26 – 5⅜	17½	23.70	0.7	2.21	8	0.44	2.5
109	207	Weis Markets	233.2	39¼– 11⅜	38⅞	15.47	2.5	3.07	13	0.76	2.0
110	106	Super Valu Stores	232.8	28⅛– 6⅞	26⅝	7.57	3.5	1.80	15	0.56	2.1
111	184	General Dynamics	232.0	44⅞– 7½	30⅜	20.03	1.5	1.84	17	0.72	2.4
112	449	Revco D S	231.7	46⅝– 11¾	44½	13.92	3.2	2.52	18	0.88	2.0
113	368	Saga	231.3	43⅛– 6⅞	39¾	17.71	2.2	3.48	11	0.56	1.4
114	208	Crum & Forster	227.6	53 – 13⅞	52	31.73	1.6	4.84	11	1.76	3.4
115	251	Waldbaum	225.1	34 – 7⅞	34	32.23	1.1	5.72	6	none	0.0
116	*	Fuqua Industries	223.9†	28¾– 7½	28¾	15.72	1.8	2.86	10	0.60	2.1
117	90	Freeport-McMoran	223.6	40⅝– 4⅝	15⅝	10.20	1.5	1.57	10	0.60	3.8
118	158	Purolator	220.7	49½– 12⅞	46½	17.72	2.6	4.16	11	1.12	2.4
119	365	Mattel	220.6	31½– 6	27¼	10.89	2.5	3.26	8	0.30	1.1
120	140	Nationwide	217.2	39¼– 11⅜	39¼	39.46	1.0	3.38	12	0.70	1.8
121	205	Nordstrom	214.1	50¾– 11⅞	44½	18.12	2.5	2.92	15	0.50	1.1
122	254	Fort Howard Paper	212.6	51¾– 13⅝	51	14.48	3.5	3.32	15	1.20	2.4
123	151	Rite Aid	211.9	49½– 12¼	46½	15.52	3.0	3.05	15	0.80	1.7
124	197	Dynalectron	210.3	17⅜– 2¾	11⅛	8.12	1.4	1.63	7	0.20	1.8

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. · †Price change does not reflect the value of shares received in spinoff.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
125	253	United States Shoe	209.2%	54½ – 10¾	50½	$26.77	1.9	$4.89	10	$1.36	2.7%
126	178	Albertson's	208.3	48 – 12½	46¼	16.05	2.9	3.66	13	1.00	2.2
126	336	Intel	208.3	49½ – 10⅝	37	11.15	3.3	0.58	64	none	0.0
128	653	Sherwin-Williams	207.7	45¾ – 9⅞	42½	28.81	1.5	3.16	13	1.00	2.4
129	170	Seagram	206.7	74¾ – 20⅝	69	83.83	0.8	8.85	8	1.80	2.6
130	136	Charter	205.9	50 – 3⅞	13	25.09	0.5	1.49	9	1.00	7.7
131	314	Hart Schaffner & Marx	205.3	36¾ – 9¾	36¼	28.34	1.3	3.59	10	1.24	3.4
132	262	American Greetings	203.9	43¼ – 9½	39½	16.62	2.4	2.52	16	0.68	1.7
133	202	Dun & Bradstreet	199.2	97¾ – 26½	92¾	15.56	6.0	4.89	19	2.76	3.0
134	61	Mitchell Energy & Dev	197.5	45⅝ – 3⅞	16⅞	8.10	2.1	1.99	8	0.24	1.4
135	142	American Intl Group	195.5	83 – 23½	82¼	33.49	2.5	6.76	12	0.48	0.6
136	218	Varian Associates	194.3	58¾ – 11¾	58½	24.00	2.4	2.95	20	0.52	0.9
137	148	Barnett Banks Fla	193.2	34⅞ – 10⅝	32½	21.42	1.5	3.30	10	1.08	3.3
138	194	Perkin-Elmer	192.5	36⅜ – 8½	29¼	11.28	2.6	1.27	23	0.50	1.7
139	237	Centex	191.9	48 – 11⅜	40½	24.69	1.6	2.19	18	0.25	0.6
140	117	Pioneer	189.6	33⅝ – 6⅛	20	9.92	2.0	1.84	11	1.16	5.8
141	163	Flowers Industries	189.5	21 – 6⅛	19⅝	9.34	2.1	1.74	11	0.60	3.1
142	326	Borg-Warner	187.9	40⅜ – 12¾	40⅛	29.45	1.4	4.02	10	1.52	3.8
143	223	Kroger	187.8	47¼ – 12¾	39¾	27.06	1.5	4.99	8	1.88	4.7
144	69	Cabot	184.8	36⅝ – 6¾	21	19.22	1.1	2.77	8	0.92	4.4
145	297	General Re	184.7	64¼ – 16¾	60½	22.21	2.7	4.56	13	1.08	1.8
146	269	Rockwell Intl	184.4	47 – 14½	42⅛	24.87	1.7	4.33	10	1.56	3.7
147	*	Shawmut	182.7	40½ – 13⅝	38⅞	44.80	0.9	5.71	7	1.72	4.4
148	352	Flickinger	182.3	27½ – 8⅞	27½	20.92	1.3	3.14	9	0.88	3.2
149	258	Esmark	182.3	57⅝ – 14⅞	54½	37.06	1.5	5.18	10	1.84	3.4
150	84	Superior Oil	181.9	50¼ – 9⅛	28¾	16.91	1.7	2.09	14	0.20	0.7
151	176	Burlington Northern	181.0	77 – 17½	57¼	70.75	0.8	7.32	8	1.52	2.7
152	205	Pioneer Hi-Bred Intl	180.5	28½ – 7⅞	27	8.95	3.0	2.24	12	0.72	2.7
153	220	New York Times	180.1	53⅞ – 16⅝	52⅞	23.46	2.3	4.64	11	1.22	2.3
154	96	Wyman-Gordon	180.0	27 – 7⅞	24½	12.68	1.9	3.12	8	0.80	3.3
155	70	Kay	179.9	28¼ – 4⅞	13	7.50	1.7	–1.01	def	none	0.0
156	439	Dayton-Hudson	178.4	63½ – 16⅝	57¼	24.81	2.3	3.82	15	1.20	2.1
157	101	Meredith	177.7	80⅞ – 24⅜	79½	54.10	1.5	8.68	9	1.80	2.3
158	443	Grumman	177.4	50⅛ – 14¾	46⅛	26.15	1.8	2.43	19	1.60	3.5
159	389	Golden West Finl	177.2	17 – 4½	16¾	8.65	1.9	–2.54	def	none	0.0
160	197	Northrop	176.6	77¾ – 20¼	63⅜	33.97	1.9	0.68	NM	1.80	2.8
161	112	Penn Central	176.0‡	32⅝ – 9⅛	27⅝	33.67	0.8	3.56	8	none	0.0
162	40	Handy & Harman	175.9	34½ – 5⅝	16⅛	9.15	1.8	0.83	19	0.60	3.7
163	351	Western Union	175.2	54¼ – 14¼	47⅛	38.24	1.2	3.78	12	1.40	3.0
164	152	Cities Service	174.0	69⅛ – 15	48¼	27.13	1.8	2.18	22	1.60	3.3
165	118	Control Data	173.9	42¾ – 11½	39⅜	42.20	0.9	3.98	10	0.55	1.4
166	227	A C Nielsen	173.5	64⅞ – 20⅝	60½	17.32	3.5	3.94	15	1.24	2.0
167	41	Kelly Services	173.2	33 – 8⅛	29½	11.84	2.5	2.00	15	0.90	3.1
168	265	Springs Industries	172.4	40 – 12⅜	35¾	41.52	0.9	5.06	7	1.52	4.3
169	42	Thriftimart	172.0	45 – 12	36⅜	60.40	0.6	4.81	8	1.60	4.4
170	428	Trans World	169.9	30⅝ – 9⅝	28	30.08	0.9	–2.52	def	none	0.0
171	68	Frontier Holdings	169.6	27⅞ – 7¼	23¼	17.45	1.3	3.21	7	0.20	0.9
172	940	Borman's	169.2	9⅞ – 2	8¾	11.31	0.8	1.28	7	none	0.0
173	360	Knudsen	168.9	20⅝ – 7⅛	20⅜	17.73	1.1	1.93	11	0.80	3.9
174	225	M Lowenstein	167.0	40⅛ – 7½	32⅜	47.82	0.7	4.77	7	1.20	3.7
175	141	Arden Group	166.7	5½ – 2	5	8.76	0.6	0.88	6	none	0.0
175	162	Deluxe Check Printers	166.7	38¾ – 11⅞	35	9.52	3.7	2.61	13	1.12	3.2
177	169	Abbott Laboratories	166.4	41 – 12½	37⅝	9.40	4.0	2.26	17	0.84	2.2
178	85	SmithKline Beckman	166.3	88⅜ – 23⅛	66¼	18.87	3.5	5.38	12	2.60	3.9
179	353	Figgie International	165.3	25⅜ – 8⅛	23⅞	24.92	1.0	4.13	6	0.68	2.8
180	186	Alco Standard	165.2	32⅛ – 10⅞	30½	17.08	1.8	2.95	10	1.12	3.7
181	99	Pacific Resources	165.1	16½ – 3¾	10⅛	7.27	1.4	0.48	21	0.56	5.5
182	903	Fleetwood Enterprises	163.3	34⅝ – 5⅛	32¼	9.74	3.3	1.42	23	0.52	1.6
183	60	Sigmor	162.1	23 – 5⅜	16¾	10.72	1.6	–1.52	def	none	0.0
184	226	Levi Strauss	160.0	50¾ – 13⅝	39	23.00	1.7	3.03	13	1.65	4.2
185	105	Dover	159.3	33 – 9½	27⅞	10.93	2.6	2.63	11	0.70	2.5
186	366	Fleming Cos	158.1	45¼ – 15¼	43⅞	20.89	2.1	3.82	11	1.32	3.0

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Who's where in the stock market

Rank '82	Rank '81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
187	209	Seaway Food Town	157.9%	12¼– 4⅝	12¼	$15.20	0.8	$1.85	7	$0.64	5.2%
188	201	Savannah Foods	157.3	25 – 6⅜	21¾	16.71	1.3	5.89	4	1.40	6.4
189	308	Newmont Mining	156.1	79¼– 15½	44½	47.24	0.9	1.48	30	1.00	2.2
190	104	Idle Wild Foods	156.0	29½– 10	24¾	28.17	0.9	4.92	5	0.80	3.2
191	231	Martin Marietta	155.7	51⅛– 15⅛	41⅛	33.10	1.2	3.79	11	1.92	4.7
192	264	Bankers Trust NY	154.0	45½– 16½	44⅛	45.09	1.0	8.12	5	2.05	4.6
193	337	Pfizer	153.9	80⅝– 25½	69½	22.65	3.1	4.09	17	1.84	2.6
194	*	Tyco Laboratories	152.7	25⅜– 6⅜	17⅜	15.62	1.1	2.82	6	0.70	4.0
195	191	Curtice-Burns	152.1	25¼– 8¾	22⅝	17.53	1.3	3.13	7	0.93	4.1
196	77	Fairchild Industries	151.9	33⅞– 5¾	16⅜	21.07	0.8	[illegible]	10	0.80	4.8
197	575	Citizens & Sthrn Ga	151.4	12⅝– 4	11⅝	9.67	1.2	1.52	8	0.56	4.8
198	327	Baxter Travenol Labs	151.3	51 – 16⅜	47¾	13.85	3.4	2.50	19	0.46	1.0
199	211	Times Mirror	150.0	67 – 22⅛	63¾	26.81	2.4	3.98	16	2.00	3.1
200	28	Farm House Foods	149.0	7¾– 1⅜	4⅜	3.18	1.4	0.51	9	none	0.0
201	333	Federal-Mogul	148.0	27⅛– 10¾	27⅛	18.38	1.5	2.41	11	1.32	4.9
202	196	American General	147.8	57¼– 21½	57	47.95	1.2	7.27	8	2.20	3.9
203	318	Hershey Foods	147.8	50¼– 17⅜	49¼	29.97	1.6	5.92	8	2.10	4.3
204	247	Manhattan Industries	147.2	17¼– 4½	16	14.82	1.1	2.91	5	0.30	1.9
205	323	R R Donnelley & Sons	145.7	57⅞– 21	57¾	29.66	1.9	4.56	13	1.42	2.5
206	164	Foremost-McKesson	144.4	45¼– 16⅞	44	28.66	1.5	3.81	12	2.40	5.5
207	274	Ball Corp	143.7	25¾– 9¼	23	18.34	1.3	3.14	7	1.04	4.5
208	530	Mercantile Stores	143.6	97¼– 29⅝	95⅝	67.34	1.4	10.96	9	2.00	2.1
209	133	Raytheon	143.4	55⅛– 14½	41⅜	18.25	2.3	3.88	11	1.40	3.4
210	120	Trinity Industries	142.6	30¼– 4	14¼	11.20	1.3	1.45	10	0.50	3.5
211	418	Masco	141.7	53 – 15⅜	49¼	18.16	2.7	3.61	14	0.84	1.7
212	129	Raychem	140.7	88 – 22¼	65	28.21	2.3	3.14	21	0.44	0.7
213	423	Melville	140.4	70¼– 23½	67	23.46	2.9	5.07	13	2.04	3.0
214	7	Western Co No Amer	139.6	32⅛– 2⅞	8⅜	7.82	1.1	1.87	5	0.24	2.8
215	552	American Stores	138.6	67½– 20¼	60¼	29.41	2.0	6.80	9	1.00	[illegible]
216	241	Vulcan Materials	138.5	56 – 21⅞	54⅛	35.28	1.5	5.57	10	2.44	4.5
217	22	Zapata	138.1	39⅜– 4¾	15⅞	18.26	0.9	4.73	3	[illegible]	4.5
218	277	AMP	136.9	70½– 24	64¼	18.38	3.5	3.50	18	1.40	2.2
219	189	Sonoco Products	136.3	32½– 10⅞	29	19.19	1.5	2.77	10	1.00	3.4
220	80	Morrison-Knudsen	135.1	46½– 9⅜	26¼	27.33	1.0	3.79	7	1.32	5.0
221	172	Boeing	135.0	45⅞– 11⅛	29⅜	27.52	1.1	3.07	10	1.40	4.8
222	50	Tosco	134.9	45⅛– 3⅝	12⅝	11.43	1.1	5.58	2	none	0.0
223	311	Knight-Ridder News	134.4	46 – 16½	45⅛	21.09	2.1	2.95	15	0.92	2.0
224	531	Amer Hospital Supply	133.8	45 – 15⅛	41½	14.46	2.9	2.80	15	0.84	2.0
225	*	Bank of New England	133.6	48⅛– 17½	44⅜	44.64	1.0	7.36	6	2.60	5.9
226	144	Turner Construction	133.0	33⅜– 11⅞	31¾	19.87	1.6	5.25	6	1.80	5.7
227	281	National Svc Inds	132.5	35 – 12½	33⅛	21.73	1.5	4.08	8	1.48	4.5
228	574	Motorola	131.7	92 – 35	84⅞	40.80	2.1	4.49	19	1.60	1.9
229	221	Time Inc	131.7	49⅞– 16⅞	45¾	22.42	2.0	2.59	18	1.00	2.2
230	244	Auto Data Processing	131.2	34 – 11½	33⅜	10.65	3.1	1.73	19	0.50	1.5
231	485	Rohm & Haas	131.0	77½– 28⅛	74½	58.89	1.3	6.23	12	2.80	3.8
232	211	PennCorp Financial	131.0	13⅜– 4¼	12⅛	12.63	1.0	1.62	7	0.16	1.3
233	561	Avery International	130.7	40 – 12¼	36⅝	20.02	1.8	3.01	12	0.90	2.5
234	392	First Natl Boston	130.6	38⅞– 15¾	38⅜	43.02	0.9	6.28	6	2.12	5.5
235	481	George A Hormel	130.0	29⅞– 10⅞	28¾	23.60	1.2	2.74	10	1.00	3.5
236	529	Kane-Miller	128.6	17½– 6½	16	31.08	0.5	1.64	10	0.28	1.8
237	239	Ametek	128.1	37⅜– 13⅝	36½	13.18	2.8	2.47	15	1.20	3.3
238	295	Amerada Hess	127.2	54¾– 10⅞	30	29.66	1.0	2.06	15	1.10	3.7
239	185	Holiday Inns	127.0	38¾– 13¾	35¾	24.74	1.4	2.04	18	0.80	2.2
240	*	First Union	126.9	29⅝– 9¼	28⅞	24.56	1.2	3.75	8	1.24	4.3
241	204	Kemper	126.7	44 – 15¾	41⅜	45.07	0.9	5.26	8	1.80	4.4
242	499	United States Gypsum	126.7	51 – 21	49⅞	42.01	1.2	2.98	17	2.40	4.8
243	507	MCA	126.7	78 – 25⅞	70½	39.03	1.8	6.33	11	1.50	2.1
244	82	Perini	126.3	37 – 8½	22⅝	27.37	0.8	4.07	6	0.80	3.5
245	432	Jewel Cos	126.0	48¾– 17½	44⅜	38.53	1.2	7.00	[illegible]	2.48	5.6
246	*	Oak Industries	125.9	38½– 5⅜	14⅛	15.81	0.9	1.75	9	0.24	1.6
247	*	United Virginia Bshs	125.8	47 – 19½	46	42.81	1.1	6.84	7	2.24	4.9
248	300	City Investing	125.2	30⅝– 11⅜	29	28.75	1.0	2.55	11	1.70	5.9

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year.

Who's where in the stock market

Rank		Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
82	81										
249	597	Louisiana-Pacific	125.2%	30⅛– 9⅞	25½	$23.49	1.1	$–0.31	def	$0.80	3.1%
250	576	Kaufman & Broad	124.5	16⅛– 5⅝	13¾	13.45	1.0	–0.16	def	0.24	1.7
250	440	Rose's Stores	124.5	27½– 9½	27½	37.86	0.7	3.88	7	0.80	2.9
252	378	Crown Central Petroleum	124.3	43⅞– 6¾	17½	30.26	0.6	2.58	7	0.80	4.6
253	102	Seaboard	123.9	34 – 11	24⅝	51.49	0.5	11.87	2	0.50	2.0
254	386	Pitney Bowes	123.6	45¾– 18¼	45	26.46	1.7	4.10	11	1.60	3.6
255	321	Digital Equipment	123.2	113¼– 38½	103¼	57.30	1.8	6.95	15	none	0.0
256	358	Honeywell	122.3	115¼– 43	102	90.53	1.1	12.66	8	3.60	3.5
257	304	Harvey Hubbell	121.4	28¾– 11½	28½	16.24	1.8	2.84	10	1.16	4.1
258	86	SEDCO	121.2	49 – 8⅛	28¾	15.11	1.9	8.85	3	0.52	1.8
259	400	Gannett	121.0	59⅛– 22⅞	58	15.77	3.7	3.35	17	1.80	3.1
260	167	Sundstrand	120.8	59½– 15¾	39¾	25.17	1.6	4.30	9	1.80	4.5
261	349	Stokely-Van Camp	120.5	43 – 17¾	43	46.11	0.9	5.00	9	1.68	3.9
262	306	American Brands	120.4	51 – 19¾	47⅜	33.17	1.4	6.53	7	3.50	7.4
263	322	Fleet Financial	120.0	38⅛– 15	37⅛	33.07	1.1	5.96	6	2.20	5.9
264	506	Bendix	119.1	82¼– 32⅝	80¼	64.28	1.2	5.80	14	3.32	4.1
265	354	Nalco Chemical	118.9	30¼– 12¼	29	8.50	3.4	1.77	16	1.12	3.9
266	381	Service Merchandise	118.8	27⅜– 7½	24¼	11.23	2.2	1.93	13	0.14	0.6
267	235	Maryland Cup	118.6	[illegible]– 17⅞	45	32.92	1.4	4.66	10	0.88	2.0
268	292	Armstrong Rubber	118.2	25¼– 7¼	25½	31.88	0.8	3.93	6	0.80	3.1
269	455	Thrifty Corp	117.9	20⅞– 7⅜	18¼	11.92	1.5	1.84	10	0.80	4.4
270	519	Frederick & Herrud	117.7	9¾– 2⅞	6¾	7.88	0.9	0.07	NM	none	0.0
271	149	Union Oil California	116.5	56½– 11½	28⅝	23.70	1.2	4.69	6	1.00	3.5
272	116	Signal Cos	116.5	36¼– 9¼	23	22.95	1.0	1.90	12	0.84	3.7
273	616	Ceco	116.1	24¾– 10⅝	23½	36.87	0.6	3.39	7	1.00	4.3
274	127	Ruddick	115.9	18⅝– 6¾	17	16.02	1.1	2.27	7	0.69	4.1
275	473	Wachovia	115.2	36¾– 15¼	35½	24.78	1.4	3.37	11	1.40	3.9
276	363	Stanley Works	115.1	24 – 9⅛	23⅛	14.49	1.6	1.44	16	0.76	3.3
277	174	Texas Commerce Bshs	115.0	45 – 17⅛	39½	23.11	1.7	5.08	8	1.28	3.2
278	271	Rohr Industries	114.8	20 – 6⅛	14½	15.12	1.0	2.85	5	none	0.0
279	393	TRW	113.9	71½– 27½	69½	38.55	1.8	5.38	13	2.60	3.7
280	609	NCR	113.3	90 – 36¾	86⅛	69.60	1.2	8.61	10	2.40	2.8
281	296	CNA Financial	110.9	19⅝– 6¾	16⅞	19.36	0.9	2.69	6	none	0.0
282	415	Milton Bradley	110.5	50½– 11¼	27⅝	25.68	1.1	2.62	11	1.20	4.3
283	462	Pittsburgh National	109.9	38 – 16½	37	31.39	1.2	4.92	8	1.92	5.2
284	75	Worthington Inds	109.9	24⅜– 10⅜	24¼	9.12	2.7	1.41	17	0.60	2.5
285	595	Tesoro Petroleum	109.5	32¼– 6¼	16½	21.67	0.8	2.90	6	0.40	2.4
286	518	Safeco	108.8	53⅜– 21⅞	53¼	45.28	1.2	5.81	9	2.40	4.5
286	119	Univar	108.8	35 – 6⅝	17¾	17.34	1.0	1.63	11	0.68	3.8
288	210	Shell Oil	107.5	65½– 14⅛	34¾	29.92	1.2	5.27	7	1.80	5.2
289	687	Ryan Homes	106.8	35⅜– 12	34⅛	16.79	2.0	0.19	NM	1.00	2.9
290	387	Insilco	106.4	22½– 8⅞	21¾	15.30	1.4	1.14	19	1.00	4.6
291	228	Lear Siegler	106.4	42⅞– 13	32½	25.32	1.3	4.15	8	1.50	4.6
292	*	Datapoint	106.2	67½– 8⅝	20¾	16.31	1.3	0.12	NM	none	0.0
293	446	Federal Paper Board	105.3	39¼– 12½	29¼	24.53	1.2	3.98	7	1.20	4.1
294	643	Squibb	105.2	50½– 21⅜	49	20.54	2.4	2.75	18	1.34	2.7
295	316	Morton Thiokol	104.7	56 – 21¼	54	34.70	1.6	10.20	5	1.60	3.0
296	115	Foster Wheeler	103.5	30½– 6⅛	14⅜	9.64	1.5	1.85	8	0.44	3.1
297	*	Texas American Bshs	103.5	35¾– 15⅝	33⅛	28.63	1.2	4.76	7	1.44	4.3
298	67	NL Industries	102.9	48⅝– 7⅞	17⅝	17.51	1.0	4.28	4	1.00	5.7
299	458	Westinghouse Electric	102.1	40 – 16	36⅝	33.07	1.1	5.23	7	1.80	4.9
300	390	Consol Freightways	102.0	55¼– 18	51	34.79	1.5	4.34	12	1.60	3.1
301	139	Mercantile Texas	101.8	36⅜– 12⅜	27¼	20.23	1.3	3.97	7	1.12	4.1
302	147	Circle K	101.7	17½– 6	14¾	5.53	2.7	–1.89	def	0.74	5.0
303	356	Bristol-Myers	101.5	73⅜– 28	67¾	23.18	2.9	5.08	13	2.10	3.1
304	350	H J Heinz	101.4	41½– 16⅞	36	21.46	1.7	4.11	9	1.60	4.4
305	260	Heck's	101.3	13⅞– 5¾	13¼	10.70	1.2	1.50	9	0.24	1.8
306	571	Snap-On Tools	100.9	30¼– 13	27⅝	10.55	2.6	1.95	14	0.84	3.1
307	334	Colt Industries	100.0	44½– 14½	32	27.06	1.2	–6.10	def	1.80	5.6
308	654	Malone & Hyde	99.0	25½– 10⅞	23⅞	11.12	2.1	1.79	13	0.76	3.2
309	291	Consolidated Papers	98.4	39 – 14⅜	31¼	29.40	1.1	3.69	8	2.00	6.4
310	695	Bell & Howell	98.4	34⅜– 13⅞	30½	32.84	0.9	2.77	11	0.96	3.1

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.
*Not ranked last year. NM: not meaningful. def: deficit.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/book value	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
311	379	**Dillon Cos**	97.3%	32⅜– 11½	32	$10.74	3.0	$2.61	12	$1.32	4.1%
312	666	**West Point-Pepperell**	97.3	38½– 13⅝	36	36.09	1.0	4.27	8	1.80	5.0
313	633	**McCormick**	96.8	32¾– 12⅝	30¼	14.02	2.2	2.35	13	0.88	2.9
314	461	**Girard**	96.5	46 – 18¾	42¼	49.20	0.9	6.23	7	2.44	5.8
315	417	**Cluett, Peabody**	96.5	21⅞– 7¼	20⅞	23.14	0.9	2.50	8	0.84	4.0
316	95	**Baker International**	96.4	53½– 10⅝	23⅜	13.92	1.7	3.60	7	0.92	3.9
317	465	**Quaker Oats**	96.2	48⅝– 20⅛	45⅝	31.93	1.4	4.06	11	2.00	4.4
318	193	**Standard Oil Ohio**	96.1	91½– 14½	34¾	24.25	1.4	7.68	5	2.60	7.5
319	370	**Archer Daniels Midland**	95.4	26⅛– 6¾	18⅜	15.77	1.2	1.81	10	0.14	0.8
320	359	**Federal Co**	94.8	28¼– 13	28⅛	22.30	1.3	2.61	11	1.44	5.1
321	304	**Philip Morris**	94.3	67¾– 27⅞	60⅛	26.35	2.3	6.04	10	2.40	4.0
322	180	**NVF**	94.1	7 – 1	1⅞	2.98	0.6	–0.63	def	none	0.0
323	405	**St Paul Cos**	92.9	65¼– 27½	60¾	52.12	1.2	8.44	7	2.60	4.3
324	92	**Belco Petroleum**	92.6	36⅜– 8¾	19¾	21.23	0.9	4.29	5	0.70	3.5
325	108	**Natomas**	92.4	45¾– 8½	19	20.76	0.9	1.86	10	1.40	7.4
326	131	**Central Steel & Wire**	92.3	300 –130	250	402.22	0.6	14.02	18	20.00	8.0
327	268	**Computer Sciences**	92.0	29¾– 8	18	8.94	2.0	1.50	12	none	0.0
328	168	**Arkla**	91.5	21⅛– 7⅛	16⅞	8.60	2.0	1.86	9	0.92	5.5
329	640	**Magic Chef**	90.7	20½– 6	17⅞	16.08	1.1	0.77	23	0.48	2.7
330	236	**RepublicBank**	90.2	45¼– 16⅛	32¾	29.04	1.1	5.28	6	1.64	5.0
331	307	**Southeast Banking**	89.5	23½– 9⅞	20⅜	22.68	0.9	2.90	7	1.00	4.9
332	271	**Ohio Casualty**	89.3	47⅝– 20¼	46⅜	38.98	1.2	5.32	9	2.36	5.1
333	772	**Whirlpool**	88.8	43⅞– 14⅝	42¼	21.83	1.9	3.26	13	1.80	4.3
334	123	**Hanover Insurance**	88.5	36¾– 14⅛	35½	51.10	0.7	6.61	5	0.88	2.5
335	156	**H H Robertson**	88.1	39½– 11¼	27⅝	27.45	1.0	5.27	5	1.60	5.8
336	94	**Bausch & Lomb**	88.0	70 – 16⅛	41¼	20.04	2.1	3.25	13	1.56	3.8
337	945	**Lowe's Companies**	87.9	32⅞– 8⅞	28½	9.09	3.1	1.15	25	0.48	1.7
338	234	**Union Pacific**	87.7	96¼– 20½	45⅞	32.14	1.4	3.87	12	1.80	3.9
339	736	**A H Robins**	87.7	20⅛– 6⅝	19	12.52	1.5	1.86	10	0.56	2.9
340	315	**Entex**	87.5	20⅛– 8⅜	18⅜	11.85	1.6	2.42	8	1.08	5.9
341	581	**American Express**	87.5	69⅞– 25¼	67¼	28.74	2.3	5.83	12	2.40	3.6
342	87	**Dorchester Gas**	87.4	29⅜– 4⅞	11⅛	8.32	1.3	1.01	11	0.16	1.4
343	550	**Consolidated Foods**	86.8	47½– 19¾	46	30.68	1.5	5.44	8	2.32	5.0
344	828	**Equifax**	86.7	26⅞– 8½	24½	9.94	2.5	1.90	13	1.32	5.4
345	486	**Amer Broadcasting**	86.6	55¾– 23⅛	50⅜	33.89	1.5	5.65	9	1.60	3.2
346	491	**Delta Air Lines**	86.3	41⅜– 15⅝	37¼	25.75	1.4	–0.08	def	1.00	2.7
347	*	**Valero Energy**	86.2‡‡	43⅞– 6⅛	21⅞	14.09	1.6	3.44	6	0.40	1.8
348	586	**Gulf & Western Inds**	86.1	22⅛– 8⅞	17⅛	26.64	0.6	2.17	8	0.75	4.4
349	846	**Roadway Services**	85.7	63 – 21¾	58½	20.19	2.9	3.65	16	1.60	2.7
350	851	**Associated Dry Goods**	85.5	49 – 15⅝	46⅜	39.74	1.2	3.83	12	2.00	4.3
351	985	**United Merch & Mfrs**	85.2	11⅞– 3⅛	6¼	20.33	0.3	–6.45	def	none	0.0
352	188	**Combustion Eng**	84.5	54¾– 15½	34¼	22.19	1.5	4.82	7	1.84	5.4
353	517	**Monfort of Colorado**	84.4	12 – 3⅜	10⅜	7.42	1.4	3.23	3	none	0.0
354	124	**Schlumberger**	84.4	87⅛– 19	39¾	14.64	2.7	4.78	8	0.96	2.4
355	388	**Chesebrough-Pond's**	84.3	44 – 19⅛	41	17.54	2.3	3.55	12	1.72	4.2
356	637	**PPG Industries**	84.3	58¼– 23⅛	49¾	47.90	1.0	4.46	11	2.36	4.7
357	556	**Gillette**	84.2	49 – 17⅝	45⅛	23.94	1.9	4.23	11	2.30	5.1
358	364	**ASARCO**	84.2	58½– 13¼	27⅝	39.94	0.7	–2.56	def	0.40	1.4
359	848	**Goodyear**	84.1	33⅜– 10¾	31¾	32.96	1.0	3.25	10	1.40	4.4
360	339	**Phillips-Van Heusen**	83.8	18½– 8⅜	17	34.36	0.5	2.67	6	0.60	3.5
361	171	**Marine Midland Banks**	83.5	25¼– 11⅛	23⅝	42.79	0.6	4.37	5	1.40	5.9
362	267	**Alcan Aluminium**	82.9	40 – 10⅞	24	31.83	0.8	1.35	18	0.90	3.8
363	*	**Celeron**	82.4†	58¼– 9	20¾	12.51	1.7	3.10	7	0.60	2.9
364	153	**Earle M Jorgensen**	82.4	28¼– 11½	23¼	24.41	1.0	2.89	8	1.00	4.3
365	399	**Suburban Propane Gas**	81.9	39⅜– 15	35¾	31.42	1.1	4.58	8	1.60	4.5
366	303	**American Petrofina**	81.4	71⅞– 22⅝	54⅞	50.29	1.1	5.24	10	3.20	5.8
367	470	**Pueblo International**	81.3	8⅝– 2⅛	7¼	9.55	0.8	1.10	7	0.12	1.7
368	261	**Old Republic Intl**	81.2	24⅝– 10¾	23½	22.68	1.0	4.22	6	0.92	3.9
369	454	**Johnson & Johnson**	80.8	48 – 21⅝	46¼	13.51	3.4	2.85	16	1.00	2.2
370	612	**Natl Semiconductor**	80.6	51½– 10⅛	23⅝	14.48	1.6	–0.52	def	none	0.0
371	47	**Reading & Bates**	80.5	39⅞– 5½	13½	13.64	1.0	3.13	4	0.80	5.9
372	58	**Cameron Iron Works**	80.2	67 – 10⅜	20⅛	19.35	1.0	4.56	4	0.40	2.0

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. †Price change does not reflect the value of shares received in spinoff. ‡‡Three-year price change. def:deficit.

Who's where in the stock market

Rank 82	81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
373	319	Macmillan	80.0%	20⅜– 7¾	19½	$14.50	1.3	$1.60	12	$0.70	3.6%
374	248	Gifford-Hill	80.0	26⅞– 9⅜	18	24.34	0.7	–0.39	def	0.92	5.1
375	840	Eastman Kodak	80.0	98⅛– 41⅛	92	41.61	2.2	6.79	14	3.55	3.9
376	146	Sun Chemical	79.3	32 – 9⅛	18⅜	23.96	0.8	1.72	11	0.48	2.6
377	330	Alexander & Baldwin	79.3	40¾– 14½	30¼	36.65	0.8	4.05	7	1.80	6.0
378	457	Leaseway Transportation	79.0	40 – 18⅜	37	21.96	1.7	2.74	14	1.50	4.1
379	636	Illinois Tool Works	78.8	40¾– 18½	38	23.38	1.6	3.35	11	1.16	3.1
380	299	Security Pacific	78.7	44 – 22⅛	43¾	47.47	0.9	7.35	6	2.40	5.5
381	726	Philadelphia Natl	78.5	51⅝– 23½	50⅞	60.38	0.8	9.15	6	3.40	6.7
382	664	General Electric	78.5	94⅛– 43⅝	89	40.08	2.2	7.69	12	3.40	3.8
383	521	McDonald's	78.4	65⅝– 29	61¼	22.71	2.7	4.87	13	0.88	1.4
383	711	Winn-Dixie Stores	78.4	50⅜– 25¼	47½	21.98	2.2	4.25	11	2.40	5.1
385	243	Gordon Jewelry	78.2	21 – 10	19¾	23.61	0.8	2.58	8	0.56	2.8
386	489	Southland	78.2	47¼– 16⅞	41⅜	25.97	1.6	4.40	9	1.16	2.8
387	256	Aetna Life & Casualty	78.2	48¼– 20⅞	43½	42.88	1.0	6.12	7	2.52	5.8
388	756	Longs Drug Stores	78.0	47 – 21¾	44½	16.84	2.6	2.93	15	1.04	2.3
389	382	PACCAR	77.8	82 – 37¾	78	66.34	1.2	5.33	15	2.82	3.6
390	376	Universal Leaf	77.8	34⅞– 14½	30	22.64	1.3	4.00	8	1.64	5.5
391	263	Chase Manhattan	77.4	60⅞– 27⅝	53	78.36	0.7	8.85	6	3.40	6.4
392	175	Fluor	77.2	71 – 9⅞	22	21.36	1.0	2.45	9	0.80	3.6
393	290	Valley National	76.9	30¾– 12⅜	23	22.53	1.0	2.80	8	1.16	5.0
394	596	Brunswick	75.7	28 – 10⅛	25¼	22.57	1.1	16.33	2	1.00	4.0
395	865	Texas Instruments	75.3	150¾– 61⅜	128⅞	53.44	2.4	5.86	22	2.00	1.6
396	562	National Gypsum	75.0	31⅝– 13⅞	28	30.55	0.9	0.96	29	0.48	1.7
396	224	SONAT	75.0	37¼– 13⅞	29¾	24.21	1.2	5.05	6	1.30	4.4
398	480	Emerson Electric	74.4	63¼– 29⅝	58⅝	21.68	2.7	4.37	13	2.10	3.6
399	466	Genuine Parts	73.7	44⅝– 18¾	41¼	14.79	2.8	2.75	15	1.30	3.2
400	114	United Energy Resources	73.0	56 – 14½	28	31.82	0.9	7.76	4	2.32	8.3
401	344	Kidde	72.9	28 – 13½	24¾	31.88	0.8	4.48	6	1.10	4.4
402	413	Dorsey	72.9	31 – 11	30¼	26.85	1.1	–1.05	def	1.10	3.6
403	293	Gulf United	72.8	28¼– 12⅛	24⅝	20.95	1.2	2.84	9	1.32	5.4
404	882	American Motors	72.4	9½– 2⅜	6¼	4.90	1.3	–3.60	def	none	0.0
405	288	Interpublic Group	72.2	41¾– 21¾	41⅝	26.42	1.6	4.12	10	1.80	4.3
406	751	Super Food Services	71.6	19⅝– 9⅜	18¼	14.79	1.2	1.69	11	0.48	2.6
407	717	Clorox	71.4	25¼– 7⅞	24	11.75	2.0	2.05	12	0.92	3.8
407	498	W W Grainger	71.4	56 – 25	54	23.61	2.3	3.74	14	1.16	2.1
409	409	R J Reynolds Inds	71.3	57¼– 26⅛	50¾	37.40	1.4	8.06	6	3.00	5.9
410	642	General Mills	71.2	54¾– 19	52	24.50	2.1	4.32	12	1.84	3.5
411	601	Denny's	70.9	35½– 7⅞	32¾	15.02	2.2	2.56	13	0.64	2.0
412	853	Hercules	70.6	28¾– 12¼	26⅞	24.73	1.1	1.86	14	1.32	4.9
413	279	Dennison Mfg	69.8	25 – 11½	22½	19.38	1.2	2.14	11	1.44	6.4
414	616	Hammermill Paper	69.5	35¾– 16¼	29⅞	43.60	0.7	4.14	7	1.84	6.2
415	475	Travelers	69.4	28⅛– 13¼	26¼	33.03	0.8	3.67	7	1.64	6.2
416	435	Kimberly-Clark	69.1	80¾– 37¾	72½	60.13	1.2	9.46	8	4.00	5.5
417	592	Allied Stores	69.0	38 – 18⅜	36¾	39.45	0.9	3.88	9	1.80	4.9
418	53	Murphy Oil	68.9	64 – 10⅞	21¾	21.51	1.0	4.26	5	1.00	4.6
419	356	Wheeling-Pitts Steel	68.9	40⅛– 8	15⅝	103.67	0.2	–14.20	def	none	0.0
420	*	Wendy's International	68.3	17⅜– 3¾	14⅝	5.27	2.8	1.09	13	0.24	1.6
421	534	Bank of New York	68.2	55¾– 29⅞	51½	63.31	0.8	10.26	5	3.40	6.6
422	515	Manford	68.1	16⅛– 5¼	15⅛	14.68	1.0	2.92	5	0.50	3.3
423	422	Farmers Group	68.0	40¼– 20½	38	21.22	1.8	3.60	11	1.24	3.3
424	216	Gelco	67.8	37 – 12¾	25⅞	18.55	1.4	2.51	10	1.12	4.3
425	157	Carpenter Technology	67.6	53 – 20½	38¾	33.48	1.2	3.00	13	2.10	5.4
425	656	North Amer Philips	67.6	59⅝– 23½	46½	53.52	0.9	5.12	9	1.70	3.7
427	807	Collins & Aikman	67.4	19¾– 6¼	19¼	17.43	1.1	1.89	10	0.72	3.7
428	132	Petrolane	67.1	26⅜– 6⅞	13	8.38	1.6	2.00	7	0.50	3.8
429	477	NCNB	67.0	20⅝– 10	19	19.79	1.0	2.96	6	1.00	5.3
430	822	Citicorp	66.7	40 – 17	38⅛	34.17	1.1	5.72	7	1.72	4.5
430	*	LTV	66.7†	26⅛– 5⅛	10⅝	25.66	0.4	1.13	9	0.50	4.7
430	600	SCM	66.7	32¼– 15⅛	30	52.72	0.6	3.49	9	2.00	6.7
433	195	Pennzoil	66.6	62½– 17½	32⅜	21.55	1.5	3.69	9	2.20	6.7
434	337	Combined Internatl	66.4	30 – 14⅞	27⅞	19.39	1.4	3.32	8	2.00	7.2

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. †Price change does not reflect the value of shares received in spinoff. def:deficit.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
435	451	Levitz Furniture	66.3%	44⅝ – 17⅛	42⅝	$31.41	1.4	$1.33	32	$1.00	2.3%
436	549	Trane	66.3	35 – 15½	29	26.70	1.1	2.94	10	1.36	4.7
437	249	Zurn Industries	66.2	35⅜ – 12½	27	21.87	1.2	3.79	7	1.32	4.9
438	402	Dexter	65.9	35 – 15	28⅝	17.30	1.7	2.59	11	1.10	3.8
439	424	CPC International	65.2	40¼ – 21⅛	38	25.86	1.5	4.78	8	2.10	5.5
439	563	Maryland National	65.2	28½ – 12½	28½	35.61	0.8	4.83	6	1.28	4.5
441	679	AMR	64.7	21⅝ – 6¼	17½	24.88	0.7	–2.14	def	none	0.0
442	*	Kansas-Neb Nat Gas	64.7	36½ – 14⅝	29	16.77	1.7	2.67	11	1.48	5.1
443	655	Northwest Airlines	64.6	40¾ – 20⅜	38⅞	38.43	1.0	0.20	NM	0.80	2.1
444	849	Sheller-Globe	64.3	21⅞ – 4¾	20⅛	16.98	1.2	2.16	9	0.50	2.5
445	214	Norton	64.2	62 – 17½	33¼	32.95	1.0	1.83	18	2.00	6.0
446	564	Fischbach	64.0	50½ – 19¾	46¾	39.58	1.2	7.47	6	2.40	5.1
447	340	Santa Fe Industries	63.6	36⅝ – 9¾	21¾	27.73	0.8	2.38	9	1.00	4.6
448	956	Fedl Natl Mortgage	63.0	27¼ – 6⅜	24¼	20.40	1.2	–3.36	def	0.16	0.7
449	266	Business Men's Assur	62.8	36⅛ – 17⅞	29½	37.96	0.8	3.50	8	1.70	5.8
450	587	Best Products	62.6	34¼ – 13⅜	29⅛	19.34	1.5	1.69	17	0.32	1.1
451	665	Bemis	62.5	35¼ – 18½	34⅛	46.53	0.7	3.36	10	1.60	4.7
452	858	Jonathan Logan	62.4	22⅞ – 6½	20½	25.38	0.8	2.50	8	0.60	2.9
452	782	Ogden	62.4	39⅞ – 15⅛	27⅞	32.15	0.9	3.68	8	1.80	6.5
454	111	Hughes Tool	62.3	48⅝ – 9⅝	19	20.75	0.9	3.73	5	0.84	4.4
455	677	Gt Western Financial	62.1	29⅞ – 9½	25⅛	27.61	0.9	–3.56	def	0.40	1.6
456	843	May Dept Stores	61.9	43½ – 18	43½	32.92	1.3	4.45	10	1.82	4.2
456	847	Skyline	61.9	24⅝ – 8½	23⅞	10.19	2.3	0.56	43	0.48	2.0
458	317	King Kullen Grocery	61.7	19 – 11	19	37.10	0.5	3.49	5	0.50	2.6
459	568	Walt Disney	60.9	71½ – 31½	64⅜	35.99	1.8	3.01	21	1.20	1.9
460	742	J P Stevens	60.4	22⅝ – 11	20⅝	33.59	0.6	1.51	13	1.20	5.9
461	760	Culbro	59.9	34⅞ – 6	33⅜	42.18	0.8	3.34	10	1.00	3.0
462	508	Chemical New York	59.7	47⅜ – 22⅛	45¼	56.72	0.8	8.54	5	2.88	6.4
463	469	Mellon National	59.2	44⅛ – 22	40	49.59	0.8	7.09	6	2.24	5.6
464	450	Cessna Aircraft	59.1	36½ – 11¾	24¼	18.03	1.3	0.94	26	0.40	1.6
465	310	Standard Oil Indiana	59.1	99½ – 21⅞	39⅜	36.12	1.1	6.12	6	2.80	7.1
466	219	Missouri Pacific	58.9	115 – 40½	73½	67.29	1.1	11.10	7	3.80	5.2
467	447	Alexander's	58.8	18⅜ – 5⅛	10⅛	13.11	0.8	0.71	14	none	0.0
468	478	Sterling Drug	58.6	29⅝ – 12¾	23	13.63	1.7	2.11	11	1.08	4.7
469	383	CBI Industries	58.5	70⅞ – 21	37¼	22.41	1.7	5.05	7	1.40	3.8
470	233	First Interstate Bancp	58.5	44⅞ – 19½	35	41.24	0.8	5.59	6	2.14	6.1
471	604	Eli Lilly	58.4	68¾ – 36⅝	60	24.85	2.4	5.25	11	2.60	4.3
472	298	InterFirst	57.7	32⅜ – 14⅝	26½	18.59	1.4	3.40	8	1.20	4.5
473	627	United Technologies	57.5	65¾ – 31¼	56½	48.70	1.2	6.46	9	2.40	4.2
474	309	Tyler	57.2	29⅝ – 10⅛	19⅝	15.59	1.3	1.53	13	0.60	3.0
475	362	Mobil	57.2	44⅞ – 14⅝	25	34.45	0.7	3.67	7	2.00	8.0
476	255	Irving Bank	57.1	58 – 27	44	72.62	0.6	9.36	5	3.36	7.6
477	*	Southwest Bancshares	57.1	33⅝ – 13¾	27¾	24.66	1.1	4.36	6	1.46	5.3
478	599	American Home Products	56.8	48 – 21⅜	43½	10.62	4.1	3.49	12	2.20	5.1
479	222	Standard Oil Calif	56.3	58¾ – 17⅛	30⅜	37.15	0.8	4.45	7	2.40	7.9
480	615	Ethyl	56.2	36½ – 18⅛	33	36.72	0.9	4.58	7	1.50	4.5
481	328	Transamerica	55.7	26¼ – 12⅞	23¾	24.93	1.0	2.83	8	1.50	6.3
482	125	Harris Corp	55.5	60¼ – 19⅞	36¼	19.05	1.9	2.12	17	0.88	2.4
483	635	J P Morgan	55.2	71¾ – 39⅝	66¾	62.08	1.1	9.65	7	3.40	5.1
484	511	Ex-Cell-O	55.2	36⅛ – 14	26¼	27.30	1.0	3.61	7	1.60	6.1
485	406	Godfrey	55.0	17 – 7¼	13⅞	16.21	0.9	1.60	9	0.72	5.2
486	377	Atlantic Richfield	54.7	74⅜ – 21⅝	39¾	34.37	1.2	6.77	6	2.40	6.0
487	*	Texas Air	54.7	16⅜ – 4	12⅜	6.16	2.0	–12.45	def	0.16	1.3
488	270	ENSERCH	54.5	40 – 11⅛	20¼	16.93	1.2	3.04	7	1.60	7.9
489	658	White Consolidated	54.4	38 – 16¾	33	35.80	0.9	1.86	18	1.50	4.5
490	284	Copperweld	54.1	31¾ – 10½	18¾	22.24	0.8	1.16	16	1.16	6.2
491	808	Stauffer Chemical	54.0	28⅛ – 14½	28	23.38	1.2	3.13	9	1.44	5.1
492	*	Tidewater	53.6	54⅜ – 12⅛	21⅛	17.94	1.2	3.87	5	0.90	4.3
493	551	Merck	53.2	103 – 47⅜	85	27.04	3.1	5.51	15	2.80	3.3
494	870	B F Goodrich	52.4	32¾ – 16⅛	32	55.12	0.6	–0.94	def	1.56	4.9
495	342	Foxboro	52.1	41⅜ – 18½	32⅞	24.78	1.3	3.73	9	1.04	3.2
496	698	Capital Holding	52.1	33½ – 16	32⅛	27.46	1.2	3.90	8	1.32	4.1

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. NM: not meaningful. def: deficit.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
497	603	Olin	51.9%	27 – 12½	25⅝	$33.57	0.8	$2.99	9	$1.20	4.7%
498	812	Borden	51.8	47¼– 19⅝	46½	44.95	1.0	5.75	8	2.22	4.8
499	744	Minn Mining & Mfg	51.6	79⅜– 43	73½	29.36	2.5	5.46	13	3.20	4.4
500	728	Willamette Inds	51.2	47⅛– 16	33¾	28.36	1.2	–0.16	def	1.50	4.4
501	675	H F Ahmanson	51.0	30 – 8	28½	32.69	0.9	–4.43	def	0.60	2.1
502	165	Parker Pen	50.4	26 – 8½	14½	10.05	1.4	0.09	NM	0.52	3.6
503	659	Boise Cascade	50.3	48¼– 19⅜	38⅛	48.99	0.8	0.06	NM	1.90	5.0
504	937	First Natl Supermkts	50.0‡	14 – 3	12	11.70	1.0	2.00	6	0.02	0.2
505	501	Witco Chemical	50.0	33¾– 16¾	27½	31.15	0.9	3.53	8	1.80	6.5
506	257	Acme-Cleveland	49.5	35⅝– 11⅞	18⅞	26.98	0.7	2.56	7	1.40	7.4
507	555	So New England Tel	49.5	57⅜– 29½	55½	53.07	1.0	6.48	9	4.56	8.2
508	429	Avco	49.3	35 – 13⅞	25¾	42.03	0.6	2.60	10	1.20	4.7
509	494	Di Giorgio	49.2	15⅛– 7	12⅛	17.48	0.7	1.11	11	0.64	5.3
510	924	Outboard Marine	48.8	30½– 8⅞	30½	36.14	0.8	4.03	8	0.90	3.0
511	484	Chubb	48.6	52⅝– 29⅛	52	53.89	1.0	6.18	8	2.92	5.6
512	*	Stewart & Stevenson	48.6	23⅜– 7¾	12¾	19.82	0.6	3.20	4	0.40	3.1
513	343	Amfac	48.5	35⅞– 14½	25¼	33.92	0.7	1.57	16	1.44	5.7
514	408	W R Grace	48.2	63½– 23⅝	40	43.02	0.9	7.21	6	2.80	7.0
515	735	Northern Trust	48.1	48¼– 27¾	47¾	65.75	0.7	7.10	7	2.72	5.7
516	426	Rollins	47.8	22½– 7½	14½	9.09	1.6	1.54	9	0.68	4.7
517	373	Ashland Oil	47.5	45¾– 18	30	36.43	0.8	5.29	6	2.40	8.0
518	860	Monsanto	47.5	89 – 42¼	85	84.14	1.0	8.92	10	4.00	4.7
519	*	IU International	47.2‡‡	24⅞– 9⅝	16⅜	14.86	1.1	1.44	11	1.15	7.0
520	628	Gt Northern Nekoosa	46.8	47¾– 23⅜	40	46.62	0.9	5.09	8	2.00	5.0
521	445	PepsiCo	46.4	50 – 20	41	17.91	2.3	3.90	11	1.62	4.0
522	512	Zale	46.4	33½– 14⅝	22⅞	38.81	0.6	0.44	52	1.26	5.5
523	436	Niagara Frontier Services	46.4	33 – 15⅜	25⅛	29.60	0.9	3.98	6	1.08	4.3
524	440	Becton, Dickinson	46.0	54½– 22	46	27.23	1.7	3.63	13	1.15	2.5
525	497	Hyster	45.9	50⅜– 24⅞	40⅛	53.73	0.7	1.71	23	1.00	2.5
526	520	Jack Eckerd	45.9	31⅞– 12½	26½	14.19	1.9	1.90	14	0.96	3.6
527	532	Brooklyn Union Gas	45.7	31⅛– 18⅝	29⅞	27.60	1.1	4.60	6	2.70	9.0
528	479	Allegheny Intl	45.6	55⅜– 13¾	27⅛	42.60	0.6	2.60	10	1.40	5.2
529	533	Lone Star Industries	45.2	38⅜– 17¼	28⅛	39.17	0.7	–0.78	def	1.90	6.8
530	609	Greyhound	45.1	20¼– 11	18½	20.90	0.9	2.44	8	1.20	6.5
531	558	Cook United	45.1	9¾– 2⅜	3½	11.12	0.3	–1.36	def	none	0.0
532	782	Scott Paper	44.6	28½– 12	20¼	30.03	0.7	2.71	7	1.00	4.9
533	177	Smith International	44.4	70⅛– 15⅜	25	27.10	0.9	5.13	5	0.96	3.8
534	452	McDonnell Douglas	44.4	52⅞– 20	38⅜	42.93	0.9	4.80	8	1.24	3.2
535	602	U S Industries	44.1	12⅛– 6⅜	10⅝	16.58	0.6	1.26	8	0.76	7.2
536	590	Amer Maize-Products	43.9	20⅞– 5⅞	10⅜	20.96	0.5	1.75	6	0.52	4.9
537	367	Consolidated Edison	43.8	21⅛– 9⅞	18¼	24.14	0.8	3.43	5	1.68	9.2
538	463	General Signal	43.6	54¼– 23½	42⅜	27.17	1.6	4.18	10	1.68	4.0
539	456	Strawbridge & Clothier	43.3	32½– 17⅜	32½	64.64	0.5	5.02	6	1.40	4.3
540	906	F W Woolworth	43.1	32 – 15⅞	27	43.32	0.6	–13.10	def	1.80	6.7
541	594	Air Prods & Chems	42.9	54¼– 22½	36⅝	27.10	1.4	3.68	10	0.80	2.2
542	572	Westvaco	42.8	30½– 15½	27⅜	27.13	1.0	2.40	11	1.20	4.4
543	325	Sun Company	42.5	59⅝– 17⅜	30⅜	40.57	0.7	4.46	7	2.30	7.6
544	566	New England Electric	42.5	33¼– 17¼	33⅛	28.24	1.2	4.58	7	3.00	9.1
545	472	Ramada Inns	42.4	17 – 3⅜	5⅞	6.03	1.0	–0.44	def	none	0.0
546	419	Texas Gas Transmn	42.4	48½– 17⅛	30¼	30.85	1.0	5.42	6	2.12	7.0
547	100	Palm Beach	41.9	29⅜– 11⅜	17⅞	20.05	0.9	1.71	10	1.20	6.7
548	238	First City Bancorp	41.7	41¼– 14⅝	22½	22.91	1.0	3.88	6	1.20	5.3
549	474	Parker-Hannifin	41.4	25½– 13½	22½	17.93	1.3	1.78	13	0.96	4.3
550	593	FMC	41.0	35¾– 20½	31⅜	36.99	0.8	4.56	7	1.80	5.7
551	276	Big Three Industries	40.8	38 – 13⅞	23⅛	13.09	1.8	2.36	10	0.72	3.1
552	663	Diamond Intl	40.7	50 – 26¼	43	36.06	1.2	0.85	51	1.40	3.3
553	579	Intl Multifoods	40.4	32¾– 13¼	32⅛	26.11	1.2	4.29	7	1.66	5.2
554	252	American Standard	40.3	43¾– 16⅛	27	24.14	1.1	1.63	17	1.60	5.9
555	861	Carnation	40.0	42⅜– 21	42	27.63	1.5	5.00	8	2.00	4.8
556	312	Wheelabrator-Frye	39.8	65⅞– 26⅛	44⅜	37.09	1.2	5.02	9	1.80	4.1
557	779	Moore Corp	39.1	41⅜– 25½	38¼	24.44	1.6	3.55	11	2.00	5.2
558	396	Harsco	38.9	21⅜– 13	18⅜	19.86	0.9	2.33	8	1.20	6.4

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. ‡Four-year price change. ‡‡Three-year price change. NM: not meaningful. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/book value	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
82	81										
558	837	Quaker State Oil	38.9%	23½– 9⅞	16¼	$11.03	1.5	$1.75	9	$0.80	4.9%
560	482	USF&G	38.7	52 – 25⅝	41⅛	47.26	0.9	4.02	10	3.60	8.8
561	647	McGraw-Edison	38.6	51 – 20¾	38⅛	35.03	1.1	3.85	10	2.00	5.2
562	621	Amstar	38.5	32½– 14	25⅝	40.23	0.6	1.68	15	1.90	7.4
563	958	J C Penney	38.0	58 – 19⅝	49	40.81	1.2	5.53	9	2.00	4.1
564	412	Ampco-Pittsburgh	37.4	26¾– 9	12¾	25.40	0.5	–0.32	def	0.60	4.7
565	109	Northwest Industries	37.3	80½– 23	39⅛	40.94	1.0	11.47	3	2.68	6.8
566	905	Avondale Mills	36.8	24⅛– 13⅝	23⅝	42.09	0.6	0.24	NM	1.20	5.1
567	*	First Natl State Bcp	36.6	32 – 15⅞	31⅜	39.04	0.8	6.34	5	2.40	7.6
568	777	Gibraltar Financial	36.4	16⅝– 2⅝	10	10.35	1.0	–3.03	def	none	0.0
569	893	Union Camp	36.3	66 – 36½	62⅞	44.72	1.4	5.36	12	3.00	4.8
570	516	North American Coal	36.2	49¼– 14⅞	32	24.01	1.3	6.31	5	0.80	2.5
571	628	General Foods	36.1	47¾– 23½	42⅞	32.88	1.3	5.68	8	2.40	5.6
572	669	Fisher Foods	36.1	15½– 5⅝	10⅝	15.63	0.7	0.98	11	0.70	6.7
573	433	Centel	36.0	36¼– 21¼	34	22.70	1.5	3.98	9	2.20	6.5
574	536	InterNorth	36.0	49¾– 16⅛	28⅛	29.91	0.9	4.52	6	2.12	7.5
575	313	Cyclops	35.7	39 – 13⅛	19	51.58	0.4	–0.73	def	1.10	5.8
576	941	Weyerhaeuser	35.6	40¾– 20¾	37⅛	22.79	1.6	1.05	35	1.30	3.5
577	842	Union Carbide	35.4	62⅛– 33⅝	55½	76.74	0.7	6.09	9	3.40	6.1
578	718	Walter E Heller Intl	35.3	34 – 13⅝	22⅛	28.52	0.8	5.35	4	1.30	5.8
579	837	Burlington Inds	34.9	29⅛– 14¾	28	41.17	0.7	1.85	15	1.52	5.4
580	421	Pacific Lighting	34.9	31 – 17	28½	31.65	0.9	3.84	7	3.00	10.5
581	773	Echlin	34.9	21½– 10	18⅜	9.72	1.9	1.30	14	0.56	3.0
582	569	Intl Minerals & Chem	34.8	66½– 22¾	36⅝	37.76	1.0	4.57	8	2.60	7.1
583	877	UAL	34.7	45¾– 13½	28⅛	36.91	0.8	–4.18	def	none	0.0
584	509	Marsh & McLennan Cos	34.6	44½– 25⅞	41⅛	15.31	2.7	3.22	13	2.20	5.3
585	345	National Can	34.4	26⅜– 13½	21½	32.29	0.7	2.69	8	1.00	4.7
586	384	Tektronix	33.9	70¼– 32½	50⅝	33.52	1.5	3.85	13	1.00	2.0
587	524	American Natl Ins	33.3	18¼– 9¾	14½	23.50	0.6	2.24	6	0.84	5.8
587	634	Universal Foods	33.3	25 – 9⅞	23	13.35	1.7	2.62	9	1.04	4.5
589	746	Norton Simon	33.3	26¾– 11	26	27.05	1.0	2.38	11	1.08	4.2
590	583	Florida Power & Lt	33.0	37⅝– 19⅞	35¾	36.22	1.0	5.29	7	3.36	9.4
591	606	Genl Tire & Rubber	32.2	29½– 11⅞	27¼	43.75	0.6	1.44	19	1.50	5.5
592	688	DeSoto	31.8	25½– 10	24⅞	20.87	1.2	0.99	25	1.12	4.5
593	630	GTE	31.7	44⅝– 23	41	29.89	1.4	4.50	9	2.92	7.1
594	761	Blue Bell	31.7	37⅞– 18¼	30⅝	33.70	0.9	2.92	10	1.80	5.9
595	943	Armstrong World Inds	31.7	25¾– 12⅜	23⅜	24.13	1.0	0.76	31	1.10	4.7
596	434	IC Industries	31.3	41⅛– 17⅛	33	62.31	0.5	3.39	10	2.28	6.9
597	430	A E Staley Mfg	31.3	42½– 11	17½	21.75	0.8	2.75	6	0.80	4.6
598	199	Transco Energy	31.2	64¼– 16⅝	27⅞	28.80	1.0	6.03	5	1.80	6.5
599	453	Upjohn	31.1	69 – 32⅛	46⅞	32.03	1.5	4.89	10	2.28	4.9
600	993	Olympia Brewing	31.0	24 – 11	23¼	27.83	0.8	–1.96	def	none	0.0
601	841	Uniroyal	30.8	11¾– 3⅛	10⅝	17.29	0.6	1.38	8	none	0.0
602	570	Scott & Fetzer	30.7	36⅜– 17¼	35⅝	27.13	1.3	4.07	9	1.80	5.1
603	614	Interco	30.7	59⅛– 34	57½	60.24	1.0	5.91	10	2.88	5.0
604	797	Procter & Gamble	30.1	117½– 62¾	111¾	50.34	2.2	9.79	11	4.80	4.3
605	747	Dana	30.1	35½– 17⅞	31⅜	28.22	1.1	2.07	15	1.60	5.1
606	232	Athlone Industries	30.0	30 – 13	19½	23.88	0.8	1.34	15	1.60	8.2
606	528	Roper Corp	30.0	17¾– 8⅜	16¼	25.37	0.6	1.43	11	0.90	5.5
608	699	American Cyanamid	29.9	38 – 20⅝	34¾	31.88	1.1	2.94	12	1.75	5.0
609	908	American Family	29.8	15½– 7	14¾	12.35	1.2	1.30	11	0.60	4.1
610	632	Torchmark	29.8	30 – 16⅜	28⅞	31.40	0.9	3.77	8	1.60	5.5
611	554	Lincoln National	29.5	48 – 32¾	45	61.64	0.7	5.56	8	3.00	6.7
612	651	Eaton	29.5	41½– 20¼	31½	36.45	0.9	2.06	15	1.72	5.5
613	346	Morse Shoe	29.4	29 – 10	16½	21.25	0.8	1.05	16	0.20	1.2
614	861	Campbell Soup	29.3	44¾– 25¼	43⅝	32.76	1.3	4.75	9	2.20	5.0
615	618	Emhart	28.7	45 – 23¾	41½	37.69	1.1	6.60	6	2.60	6.3
616	512	Oneok	28.4	44⅞– 17½	28¼	24.57	1.1	4.88	6	2.40	8.5
617	690	United Brands	28.3	17⅜– 6½	9⅝	38.40	0.3	–0.11	def	none	0.0
618	200	Northwest Energy	28.0	37⅛– 8½	16⅝	22.65	0.7	1.14	14	1.40	8.5
619	824	Maytag	28.0	39 – 21½	36	13.73	2.6	2.51	14	2.15	6.0
619	416	Panhandle Eastern	28.0	52¼– 18⅛	30	31.85	0.9	5.70	5	2.30	7.7

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*Not ranked last year. NM: not meaningful. def: deficit.

Who's where in the stock market

Rank 82	Rank 81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
619	467	**USLIFE**	28.0%	34 – 14½	24	$29.78	0.8	$3.68	7	$0.88	3.7%
622	395	**Washington National**	28.0	39⅝– 12	19⅝	26.29	0.7	2.03	10	1.08	5.5
623	357	**Dan River**	28.0	23 – 9½	14⅞	33.64	0.4	0.90	17	0.56	3.8
624	*	**California First Bank**	27.7	18⅝– 12⅛	16⅞	26.67	0.6	1.14	15	1.08	6.4
625	689	**Square D**	27.5	37⅜– 17⅝	33	17.50	1.9	2.80	12	1.84	5.6
626	697	**Stewart-Warner**	27.4	33 – 13⅞	24⅞	27.68	0.9	1.38	18	1.68	6.8
627	638	**Riegel Textile**	27.2	27 – 15¼	25¼	38.72	0.6	2.26	11	1.80	7.2
628	468	**Southern Calif Edison**	27.0	37½– 20	33½	33.62	1.0	5.16	6	3.52	10.5
629	845	**Wetterau**	26.5	22¾– 9¼	17¾	12.82	1.4	1.29	14	0.80	4.5
630	564	**Crocker National**	26.4	42 – 20¾	31¾	55.88	0.6	2.82	11	2.40	7.6
631	731	**Manufacturers Hanover**	25.8	43⅜– 26	42	55.02	0.8	7.75	5	2.92	7.0
632	397	**Genesco**	25.8	11⅛– 2¾	4⅞	4.23	1.2	–0.61	def	none	0.0
633	899	**Briggs & Stratton**	25.7	34½– 20¾	33	17.44	1.9	2.69	12	1.58	4.8
634	504	**Tecumseh Products**	25.4	74 – 50	74	64.07	1.2	8.22	9	3.20	4.3
635	545	**Republic Airlines**	25.0	11⅞– 2⅞	6¼	3.28	1.9	–2.42	def	none	0.0
635	780	**Robertshaw Controls**	25.0	29½– 14⅝	25	30.54	0.8	1.43	17	1.40	5.6
637	476	**First Wisconsin**	24.9	35⅞– 19½	30¾	53.84	0.6	6.60	5	2.10	6.8
638	885	**Federated Dept Stores**	24.3	52¼– 21¼	49¼	41.02	1.2	4.54	11	2.10	4.3
639	681	**Lucky Stores**	24.0	18½– 12¼	17	9.89	1.7	1.63	10	1.16	6.8
640	850	**Corning Glass Works**	23.7	75¾– 39¼	64½	52.82	1.2	1.57	41	2.32	3.6
641	483	**Ferro**	23.7	35 – 17	23½	29.16	0.8	1.76	13	1.20	5.1
641	907	**Ralston Purina**	23.7	18¼– 9¼	17⅝	11.39	1.5	0.66	27	0.78	4.4
643	618	**Continental Telecom**	23.6	20 – 12⅝	19	16.04	1.2	2.35	8	1.56	8.2
644	763	**Coca-Cola**	23.5	50½– 28⅞	46	18.37	2.5	3.92	12	2.48	5.4
645	947	**Schering-Plough**	23.4	45⅝– 24⅞	36⅞	24.18	1.5	3.37	11	1.68	4.6
646	505	**Hoover Universal**	23.4	25½– 13⅞	24⅜	18.98	1.3	1.78	14	1.24	5.1
647	762	**Gould**	23.3	39½– 19¼	35⅛	22.87	1.5	2.20	16	1.72	4.9
648	613	**National Fuel Gas**	22.9	36⅝– 21¼	32⅞	45.56	0.7	6.04	5	3.16	9.6
649	875	**IBM**	22.9	86½– 48⅜	84	30.66	2.7	6.39	13	3.44	4.1
650	522	**Gerber Products**	22.4	25½– 11⅞	23¼	19.53	1.2	2.73	9	1.36	5.8
651	527	**Houston Natural Gas**	22.1	63¼– 19¾	33⅛	30.85	1.1	6.46	5	1.70	5.1
652	375	**Provident Life & Acc**	21.5	56½– 32½	48	59.41	0.8	6.54	7	2.44	5.1
653	598	**Kerr-McGee**	21.4	46½– 19⅞	28⅜	28.95	1.0	3.86	7	1.10	3.9
654	790	**Eastern Gas & Fuel**	21.3	32½– 13	22¾	20.81	1.1	3.11	7	1.30	5.7
655	766	**Potlatch**	21.3	49¼– 19	34⅞	34.69	1.0	1.22	29	1.48	4.2
656	502	**Texas Eastern**	21.3	89 – 32	56¼	50.32	1.1	8.12	7	4.10	7.3
657	818	**Household Intl**	20.6	26⅛– 13⅝	22	26.00	0.8	2.30	10	1.65	7.5
658	557	**Exxon**	20.5	44½– 21½	29	32.84	0.9	4.91	6	3.00	10.3
659	752	**First Chicago**	20.3	25⅝– 10¾	22¼	31.87	0.7	3.29	7	1.20	5.4
660	577	**Joy Manufacturing**	20.1	42⅞– 17½	25⅝	25.16	1.0	4.27	6	1.40	5.5
661	552	**Butler Manufacturing**	19.8	32¾– 18½	27¼	29.92	0.9	2.05	13	1.32	4.8
662	691	**Kansas Power & Light**	19.5	24⅞– 14½	24½	23.98	1.0	3.61	7	2.40	9.8
663	705	**Wisconsin Public Svc**	18.7	25¼– 13⅝	23	22.38	1.0	3.02	8	2.12	9.2
664	391	**U S Bancorp**	18.6	27¼– 13½	20¾	23.01	0.9	3.27	6	1.00	4.8
665	560	**United Telecom**	18.4	24 – 14	22½	17.68	1.3	2.39	9	1.76	7.8
666	934	**Reichhold Chemicals**	18.3	17¾– 9⅝	17¾	25.28	0.7	0.07	NM	0.48	2.7
667	500	**Shaklee**	18.1	39¼– 11⅛	35⅛	16.81	2.1	3.80	9	1.00	2.8
668	709	**Wm Wrigley Jr**	17.9	46 – 28½	43⅝	31.05	1.4	4.59	10	1.44	3.3
669	578	**Deere**	17.7	49¾– 22	29⅛	36.29	0.8	1.42	21	1.00	3.4
670	495	**Getty Oil**	17.6	108¼– 33	51	58.23	0.9	8.70	6	2.60	5.1
671	683	**Laclede Gas**	16.8	24¼– 14⅞	23½	29.53	0.8	4.31	5	2.60	11.1
672	280	**Johnson Controls**	16.7	37¼– 17½	35¾	25.50	1.4	3.83	9	1.50	4.2
673	766	**Keystone Consolidated**	16.7	20¼– 7¼	12¼	51.91	0.2	–8.34	def	none	0.0
674	692	**National Distillers**	16.4	33⅜– 18	24	31.20	0.8	2.78	9	2.20	9.2
675	749	**Northwest Bancorp**	16.1	32⅜– 17	27	32.80	0.8	3.54	8	1.80	6.7
676	949	**Safeway Stores**	16.0	50¼– 24¼	48	42.53	1.1	5.54	9	2.80	5.8
677	582	**Wells Fargo**	15.8	36⅛– 18¼	31⅛	42.38	0.7	5.80	5	1.92	6.2
678	347	**Interstate Bakeries**	15.7	12⅞– 4½	10⅛	10.97	0.9	0.10	NM	none	0.0
679	512	**Lubrizol**	15.6	41⅜– 14¼	20⅝	11.98	1.7	1.51	13	1.08	5.3
680	394	**Allen Group**	15.0	22 – 10½	15⅞	18.23	0.9	0.38	42	1.00	6.3
681	701	**Harcourt Brace Jovan**	14.9	22¼– 12½	20¼	19.55	1.0	2.31	9	1.00	4.9
682	887	**Petrie Stores**	14.9	33⅛– 15½	30¼	11.47	2.6	2.20	14	1.60	5.3

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Who's where in the stock market

Rank '82	Rank '81	Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
683	784	Manufacturers National	14.8%	30⅜– 11¾	25¼	$49.68	0.5	$4.00	6	$1.20	4.8%
684	526	Carson Pirie Scott	14.5	26½– 12¾	20⅛	32.72	0.6	1.64	12	1.20	6.0
685	672	Fidelcor	14.4	30½– 8⅞	25¾	36.51	0.7	5.48	5	1.68	6.5
686	834	Eastern Air Lines	14.3	15⅝– 4½	7	13.47	0.5	–6.58	def	none	0.0
686	607	Potomac Elec Power	14.3	18¾– 10	18	17.40	1.0	2.25	8	1.68	9.3
688	794	Alcoa	14.2	38¼– 19⅝	26⅝	41.24	0.6	0.72	37	1.20	4.5
689	737	Mercantile Bancorp	14.1	32 – 20½	31⅜	46.99	0.7	7.81	4	2.68	8.5
690	667	Florida Progress	14.0	19½– 10⅞	18⅞	18.47	1.0	2.00	9	1.92	10.2
691	72	Parker Drilling	13.9	36¾– 7⅛	9¼	10.78	0.9	2.65	3	0.16	1.7
692	734	Pillsbury	13.8	51¾– 27⅛	45½	41.03	1.1	6.31	7	2.48	5.5
693	407	Amdahl	13.7	71½– 15⅛	31⅛	15.36	2.0	0.51	61	0.40	1.3
694	722	Intl Flavors & Frag	13.7	27⅜– 16⅝	26	9.02	2.9	1.68	15	1.04	4.0
695	411	Barnes Group	13.6	25⅞– 11	15⅝	19.21	0.8	–0.47	def	0.60	3.8
696	693	Wisconsin Pwr & Lt	13.6	29½– 14⅛	24	21.47	1.1	3.88	6	2.24	9.3
697	703	NBD Bancorp	13.3	35⅜– 19¾	29¾	56.93	0.5	6.32	5	2.08	7.0
698	755	CBS	13.3	64¾– 33⅜	56⅝	44.49	1.3	4.16	14	2.80	5.0
699	535	Celanese	13.3	69¼– 35⅝	47⅞	73.21	0.7	3.25	15	4.00	8.4
700	867	Black & Decker	13.3	25¼– 12	18⅛	14.44	1.3	–1.82	def	0.52	2.9
700	541	Cone Mills	13.3	43½– 21¼	36¼	59.73	0.6	3.24	11	2.20	6.1
702	668	Owens-Illinois	13.1	33 – 17⅛	27	46.57	0.6	3.49	8	1.68	6.2
703	673	Pacific Gas & Elec	13.0	28¾– 19¼	27⅛	30.22	0.9	4.76	6	3.00	11.1
704	884	Cummins Engine	12.8	58¾– 25⅞	43	65.31	0.7	1.70	25	2.00	4.7
704	798	Phelps Dodge	12.8	48½– 17⅝	24¼	50.15	0.5	–3.08	def	none	0.0
706	287	Southwest Forest Inds	12.5	28⅞– 7¼	11¼	27.72	0.4	–1.99	def	none	0.0
707	853	G C Murphy	12.4	22½– 9⅝	19¼	32.11	0.6	1.10	18	1.28	6.6
708	876	Champion Intl	12.2	30¼– 11⅜	21⅞	28.70	0.8	0.27	NM	0.40	1.8
709	538	Crown Cork & Seal	12.0	37 – 22⅛	28	39.05	0.7	3.57	8	none	0.0
710	805	Central Soya	11.8	21⅜– 8⅝	15⅜	20.11	0.8	1.28	12	0.84	5.5
711	776	Kellogg	11.8	31⅛– 15⅝	27¼	10.60	2.6	2.89	9	1.60	5.9
712	626	Hawaiian Electric	11.7	30½– 18¼	29⅞	35.76	0.8	5.04	6	3.00	10.0
713	173	Holly Corp	11.7	19⅜– 4⅞	8⅜	6.65	1.3	1.25	7	0.24	2.9
714	739	Northeast Utilities	11.6	12½– 7⅜	12	12.78	0.9	1.71	7	1.28	10.7
715	460	Crane	11.5	45⅞– 17¾	26¾	40.06	0.7	1.04	26	1.60	6.0
716	425	Rainier Bancorp	11.3	31⅛– 17⅜	28¼	35.10	0.8	4.29	7	1.50	5.3
717	544	Texaco	11.3	54⅜– 22⅛	30⅞	53.11	0.6	5.70	5	3.00	9.7
718	694	Gulf Resources & Chem	11.2	37⅞– 8⅛	13⅝	11.11	1.2	–0.55	def	none	0.0
719	671	Southern Pacific	11.1	55 – 24¾	37⅝	82.84	0.5	4.56	8	2.60	6.9
720	548	Gulf Oil	10.8	54½– 22¼	29⅝	53.89	0.5	5.01	6	2.80	9.5
721	863	Allegheny Power	10.5	24½– 12⅛	22⅜	21.54	1.0	3.47	6	2.40	10.7
722	644	Comerica	10.4	28⅜– 17⅞	25⅜	39.29	0.6	3.90	7	2.00	7.9
723	964	Sears, Roebuck	10.3	32 – 14⅜	30⅞	23.77	1.3	2.13	14	1.36	4.4
724	329	Kaneb Services	10.3	40⅛– 11¾	16⅛	11.80	1.4	3.33	5	1.04	6.4
725	702	Interlake	10.2	45 – 21⅛	31	58.06	0.5	2.72	11	2.60	8.4
726	294	Stanadyne	10.1	46¼– 19¼	32¾	29.56	1.1	3.48	9	1.72	5.3
727	155	Cooper Industries	9.9	62 – 19¼	25	26.05	1.0	4.67	5	1.52	6.1
728	464	Edison Bros Stores	9.7	35 – 20¼	26⅞	23.28	1.2	2.39	11	1.44	5.4
729	923	Warner-Lambert	9.6	32½– 17	28½	15.87	1.8	2.19	13	1.40	4.9
730	275	BanCal Tri-State	9.5	43 – 14¾	23	40.23	0.6	1.70	14	1.20	5.2
731	676	Arizona Public Service	9.4	25⅛– 14⅜	23¼	22.13	1.1	3.40	7	2.52	10.8
732	335	El Paso	9.4	30½– 13⅜	17½	10.95	1.6	2.16	8	1.48	8.5
733	895	Libbey-Owens-Ford	9.2	29½– 19⅝	28⅛	38.91	0.7	1.19	24	1.20	4.3
734	839	Kerr Glass Mfg	9.2	17¾– 8½	13⅜	22.57	0.6	1.86	7	0.44	3.3
735	786	Tenneco	8.9	58⅜– 22⅞	33½	38.33	0.9	5.61	6	2.72	8.1
736	817	Beneficial Corp	8.9	32⅛– 14⅝	23	33.06	0.7	–2.03	def	2.00	8.7
737	967	Jim Walter	8.9	37⅞– 16	33¾	40.58	0.8	0.29	NM	1.00	3.0
738	806	Hoover	8.3	18⅝– 8⅝	13⅛	15.72	0.8	–0.31	def	1.00	7.6
739	769	Utah Power & Light	8.2	22⅜– 13	21⅜	18.64	1.1	2.19	10	2.28	10.7
740	715	San Diego Gas & Elec	8.0	17½– 9	16⅞	16.20	1.0	2.82	6	1.82	10.8
741	710	Baltimore Gas & Elec	8.0	30⅝– 18⅜	28¾	31.61	0.9	4.04	7	2.84	9.9
742	900	Owens-Corning Fbrgls	7.9	36⅛– 15⅜	35¾	25.24	1.4	0.79	45	1.20	3.4
743	623	Toro	7.9	29⅝– 5⅜	10¼	7.74	1.3	–1.18	def	none	0.0
744	674	GAF	7.9	16⅜– 7¾	12	7.77	1.5	–0.52	def	0.20	1.7
745	624	Columbia Gas System	7.8	47 – 25⅛	31¼	38.50	0.8	5.18	6	2.86	9.2
746	889	Economics Laboratory	7.7	29½– 15⅞	24⅜	15.52	1.6	2.46	10	1.04	4.3

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

NM: not meaningful. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
82	81										
746	401	Washington Gas Light	7.7%	43⅜– 18⅛	26⅛	$32.53	0.8	$3.30	8	$2.76	10.6%
748	605	Anderson, Clayton	7.7	32¾– 18⅛	24½	44.10	0.6	3.63	7	1.32	5.4
749	543	AMF	7.4	28½– 11½	18¼	19.68	0.9	1.47	12	1.36	7.5
750	844	First Charter Finl	7.3	21¾– 6⅞	18⅜	24.11	0.8	–2.63	def	0.80	4.4
751	874	Harris Bankcorp	7.1	35¾– 20⅝	32¼	54.65	0.6	5.56	6	2.20	6.8
752	652	TECO Energy	6.5	22¾– 13¼	20⅝	20.80	1.0	2.27	9	1.88	9.1
753	795	Central Illinois Lt	6.3	19¾– 11¼	19	19.56	1.0	2.83	7	1.94	10.2
753	774	First Bank System	6.3	46½– 27½	38	55.68	0.7	6.40	6	2.64	6.9
755	659	Texas Utilities	6.3	25¾– 14⅞	23⅜	22.98	1.0	3.83	6	2.04	8.7
756	700	Louisiana Land	6.2	63¾– 19½	23⅝	21.66	1.1	1.88	13	1.00	4.2
757	547	Phillips Petroleum	6.1	62⅞– 23½	32½	36.02	0.9	4.25	8	2.20	6.8
758	727	AmeriTrust	6.0	38 – 23	35¼	61.17	0.6	6.00	6	2.88	8.2
759	160	Bangor Punta	6.0	29⅛– 10½	16¼	30.03	0.5	0.34	48	0.80	4.9
760	826	N Y State Elec & Gas	5.9	21⅜– 13⅛	20¼	22.15	0.9	3.63	6	2.20	10.9
761	793	Jefferson-Pilot	5.9	38 – 22⅛	31⅝	38.98	0.8	4.17	8	1.68	5.3
762	883	Mohasco	5.8	15¼– 7	13¾	30.17	0.5	1.01	14	none	0.0
763	682	Montana Power	5.7	36⅝– 18	25½	27.00	0.9	4.00	6	2.48	9.7
764	743	Central & South West	5.5	18¾– 11¼	16⅞	18.00	0.9	2.68	6	1.68	10.0
765	414	Longview Fibre	5.4	40 – 14½	19½	15.07	1.3	0.18	NM	1.20	6.2
766	789	Penn Traffic	5.3	19¼– 11⅝	15	22.61	0.7	2.21	7	1.20	8.0
767	740	Delmarva Power & Lt	5.2	15⅝– 10¼	15⅛	15.47	1.0	2.12	7	1.58	10.4
768	712	Sybron	5.1	24¾– 12	18	23.28	0.8	1.12	16	1.08	6.0
769	684	Commonwealth Energy	4.9	19 – 11¾	18⅝	20.78	0.9	2.28	8	1.88	10.1
770	778	Southwestern Pub Svc	4.9	16⅜– 9½	16⅛	10.54	1.5	2.02	8	1.62	10.0
771	732	No States Power	4.9	32½– 18	29⅝	29.51	1.0	4.89	6	2.74	9.2
772	716	Royal Crown Cos	4.7	22¼– 10⅝	19⅝	13.28	1.5	1.94	10	1.04	5.3
773	826	BankAmerica	4.4	30⅞– 15⅝	23⅞	27.72	0.9	2.87	8	1.52	6.4
774	*	First Security	4.2	26⅞– 14⅛	21½	24.05	0.9	3.74	6	1.10	5.1
775	724	Wisconsin Elec Power	4.2	25¾– 12¾	21⅝	22.75	1.0	3.69	6	1.94	9.0
776	622	Williams Cos	4.1	49⅞– 12⅝	19¼	34.50	0.6	1.17	16	1.20	6.2
777	944	International Paper	4.0	51⅝– 30½	45½	64.40	0.7	2.92	16	2.40	5.3
778	712	Indianapolis Pwr & Lt	4.0	27⅞– 17	26¼	24.60	1.1	3.14	8	2.60	9.9
779	960	Polaroid	3.8	60¼– 16¾	27⅛	29.16	0.9	0.99	27	1.00	3.7
780	685	Continental Corp	3.7	33⅜– 20⅝	27¾	40.47	0.7	3.16	9	2.60	9.4
781	754	Diversified Energies	3.5	25⅛– 17⅛	22	28.19	0.8	3.99	6	2.28	10.4
782	720	GATX	3.4	46 – 20½	26¾	43.92	0.6	2.98	9	2.40	9.0
783	471	Consol Natural Gas	3.4	28½– 16⅞	23	26.98	0.9	3.93	6	1.88	8.2
784	608	Nash Finch	3.2	16¾– 12	16	23.51	0.7	3.13	5	1.60	10.0
785	704	Atlanta Gas Light	3.2	17⅛– 12⅝	16⅛	30.01	0.5	1.81	9	1.84	11.4
786	938	Adolph Coors	2.8	20⅜– 9½	13⅝	21.52	0.6	1.37	10	0.30	2.2
787	942	Pantry Pride	2.5	6 – 1	5⅛	–4.78	NE	0.18	28	none	0.0
788	678	Transway Intl	2.2	30½– 19¼	23⅝	27.76	0.9	2.98	8	1.80	7.6
789	686	American Tel & Tel	1.9	64¾– 45	61⅝	67.35	0.9	8.69	7	5.40	8.8
790	546	Timken	1.7	78 – 40⅜	51⅞	73.25	0.7	3.26	16	1.80	3.5
791	714	Pac Gamble Robinson	1.2	22⅞– 15⅝	19¼	29.04	0.7	1.82	11	1.60	8.3
792	759	Pay'n Save	1.0	29⅝– 16½	26⅜	26.57	1.0	2.33	11	1.00	3.8
793	802	So Carolina E & G	0.7	19 – 12	18⅝	18.47	1.0	2.02	9	1.92	10.3
794	832	Pacific Pwr & Lt	0.6	23 – 16	21⅜	21.53	1.0	3.15	7	2.16	10.1
795	764	Pub Svc Elec & Gas	0.6	24⅝– 15½	23	25.64	0.9	3.02	8	2.56	11.1
796	765	Intl Tel & Tel	0.4	35⅝– 22⅜	31⅞	41.26	0.8	4.29	7	2.76	8.7
797	537	Centerre Bancorp	0.0	26½– 15¾	19	36.41	0.5	3.74	5	1.80	9.5
797	649	Duke Power	0.0	24 – 13¾	22	23.81	0.9	3.24	7	2.28	10.4
797	725	Niagara Mohawk Power	0.0	16⅞– 10	15⅝	17.17	0.9	2.70	6	1.80	11.5
800	965	Firestone	–0.8	16 – 6⅛	15⅞	25.00	0.6	–0.07	def	0.60	3.8
801	459	Moore McCormack Res	–0.9	39⅞– 11⅝	19½	42.04	0.5	2.81	7	1.04	5.3
802	680	Continental Group	–1.1	40½– 25⅛	33⅝	49.51	0.7	4.70	7	2.60	7.7
803	800	Anchor Hocking	–1.1	21⅛– 13⅜	18⅛	30.09	0.6	1.33	14	1.36	7.5
804	496	Amsted Industries	–1.3	49 – 18⅝	27⅞	34.94	0.8	1.65	17	1.60	5.7
805	856	Central Ill Pub Svc	–1.7	15⅜– 9⅝	14⅜	14.02	1.0	1.96	7	1.48	10.3
806	951	Colgate-Palmolive	–1.7	23¼– 11	21¼	15.68	1.4	2.51	8	1.20	5.6
807	707	Houston Industries	–2.0	22¼– 16½	20	23.81	0.8	3.70	5	2.16	10.8
808	723	Textron	–2.4	38½– 17¼	25⅞	33.19	0.8	2.71	10	1.80	7.0
809	950	Dow Chemical	–2.8	39¼– 19⅝	26	25.82	1.0	2.05	13	1.80	6.9
810	902	RCA	–2.8	33⅞– 15¾	25¾	21.09	1.2	2.09	12	0.90	3.5

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*Not ranked last year. NM: not meaningful. NE: negative equity. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
82	81										
811	591	ACF Industries	–2.9%	52¼– 27½	33½	$44.13	0.8	$5.36	6	$2.76	8.2%
812	431	UGI	–3.2	36¼– 16½	22½	28.78	0.8	3.25	7	2.04	9.1
813	955	ARA Services	–3.3	48⅜– 23½	33	44.21	0.7	3.43	10	2.00	6.1
814	753	BancOhio	–3.4	24½– 11¾	17¾	38.97	0.5	2.84	6	1.00	5.6
815	781	Va Electric & Power	–3.5	15¾– 9⅛	14	18.53	0.8	1.98	7	1.60	11.4
816	975	K mart	–3.7	29⅝– 15⅛	26⅜	19.81	1.3	1.68	16	1.00	3.8
817	791	E I du Pont	–4.1	56 – 30	38½	43.60	0.9	4.26	9	2.75	7.1
818	859	Union Electric	–4.2	15¾– 9¾	14⅜	15.46	0.9	2.16	7	1.64	11.4
819	510	Midland-Ross	–4.5	30½– 11¾	16	23.65	0.7	0.67	24	1.40	8.8
820	785	Rochester Gas & Elec	–4.7	18½– 10	17⅜	20.57	0.8	3.07	6	1.76	10.1
821	750	Boston Edison	–4.9	26⅛– 18⅝	24½	31.68	0.8	2.91	8	2.80	11.4
822	919	Beatrice Foods	–5.0	28¼– 16¼	23⅝	22.46	1.1	2.96	8	1.50	6.3
823	973	Allied Supermarkets	–5.3	3⅞– ⅛	2¼	5.61	0.4	0.40	6	none	0.0
824	988	Great Atl & Pac Tea	–5.7	10⅜– 3½	8¼	8.08	1.0	0.04	NM	none	0.0
825	620	AMAX	–5.9	69 – 17½	22¾	40.31	0.6	–2.44	def	0.20	0.9
826	371	Dresser Industries	–6.0	57 – 12¼	20¾	24.23	0.9	3.19	7	0.80	3.9
827	868	Oklahoma Gas & Elec	–6.0	18⅞– 11½	17⅝	16.39	1.1	2.65	7	1.76	10.0
828	791	Kansas City Pwr & Lt	–6.1	29½– 18⅛	27⅛	33.37	0.8	4.38	6	3.16	11.6
829	542	Armco	–6.2	41¾– 14½	17¾	37.62	0.5	–1.59	def	1.20	6.8
830	783	Gulf States Utils	–6.3	14¼– 9	13	15.30	0.8	1.80	7	1.56	12.0
831	825	Scovill	–6.6	24⅞– 13⅞	21⅜	18.24	1.2	1.75	12	1.52	7.1
832	733	Arvin Industries	–6.9	23⅜– 9¾	17	22.39	0.8	1.04	16	1.12	6.6
833	864	Dayton Power & Light	–6.9	19 – 11⅛	16⅞	18.01	0.9	2.73	6	1.90	11.3
833	972	Zenith Radio	–6.9	21½– 7⅞	13½	15.73	0.9	–0.16	def	none	0.0
835	787	Long Island Lighting	–7.4	19¾– 13½	17¼	18.83	0.9	2.63	7	2.02	11.7
836	372	Alexander & Alexander	–7.4	38 – 20	23½	10.63	2.2	2.20	11	1.94	8.3
837	348	Halliburton	–7.5	86⅝– 21	30⅛	26.85	1.1	4.94	6	1.60	5.3
838	625	NICOR	–7.9	45½– 24¾	29	35.29	0.8	3.78	8	3.00	10.3
839	803	Kaiser Alum & Chem	–8.1	30¼– 11½	14⅛	34.25	0.4	–0.20	def	0.60	4.2
840	611	Mead	–8.1	33⅞– 13⅛	19¾	32.94	0.6	0.35	56	1.00	5.1
841	918	Foodarama Supermkts	–8.6	10 – 3	6⅝	15.65	0.4	0.70	9	none	0.0
842	631	Easco	–8.8	30¼– 13⅝	24¾	23.44	1.1	3.28	8	1.32	5.3
843	801	Middle South Utils	–9.1	17⅜– 10¼	15	17.94	0.8	2.46	6	1.66	11.1
844	809	Penn Power & Light	–9.2	24¼– 14½	21	24.56	0.9	3.30	6	2.32	11.0
845	*	United Illuminating	–9.3	28⅞– 17	25½	28.64	0.9	5.28	5	2.92	11.5
846	*	Coastal Corp	–9.4‡‡	59½– 14⅛	21¾	21.28	1.0	1.69	13	0.40	1.8
847	540	Southern Union	–9.7	34⅛– 12⅜	16⅜	20.65	0.8	1.87	9	1.56	9.5
848	871	Gas Service	–10.2	16¼– 9¼	12⅛	19.85	0.6	1.32	9	1.36	11.2
849	*	Atlantic City Elec	–10.9	23⅞– 14⅞	20½	22.21	0.9	2.20	9	2.28	11.1
850	823	Scot Lad Foods	–11.0	8 – 3½	4⅞	8.99	0.5	0.35	14	none	0.0
851	*	Mountain Fuel Supply	–11.4	53⅜– 24½	32⅛	31.02	1.0	4.79	7	2.60	8.1
852	925	Brockway Inc (NY)	–11.5	23⅛– 12½	17¼	28.80	0.6	2.05	8	1.32	7.7
853	970	General Motors	–11.7	66⅞– 33⅞	55½	57.20	1.0	2.95	19	2.40	4.3
854	904	Public Service Indiana	–12.0	29 – 17½	24⅞	24.54	1.0	4.80	5	2.76	11.1
855	729	WICOR	–12.1	25⅜– 15¾	19	29.30	0.6	2.32	8	2.14	11.3
856	487	Fieldcrest Mills	–12.4	37¾– 17⅛	24¾	43.08	0.6	1.83	14	2.00	8.1
857	829	Carter Hawley Hale	–12.5	23 – 10½	15¾	21.25	0.7	1.22	13	1.22	7.7
858	770	Carolina Pwr & Lt	–12.8	23⅞– 14⅞	20½	24.22	0.8	3.15	7	2.40	11.7
859	855	National City	–12.8	48½– 23¼	35¾	48.42	0.7	5.53	6	2.75	7.7
859	962	Pabst Brewing	–12.8	27 – 10¾	23	31.13	0.7	0.08	NM	0.40	1.7
861	589	Equitable of Iowa	–12.9	22¼– 13½	14¾	32.50	0.5	1.47	10	1.28	8.7
862	879	Kentucky Utilities	–13.1	24 – 14⅜	20¾	21.07	1.0	2.78	7	2.20	10.6
863	873	Fruehauf	–13.3	40 – 15¼	22¾	42.27	0.5	–1.83	def	0.40	1.8
864	831	Southern Company	–13.4	17⅞– 10¼	15⅜	16.33	0.9	2.27	7	1.70	11.1
865	286	HRT Industries	–13.6	13 – 5⅛	5½	16.65	0.3	0.07	NM	none	0.0
866	957	Bethlehem Steel	–13.6	32 – 14½	18⅛	63.26	0.3	–6.68	def	1.00	5.5
867	946	Champion Spark Plug	–13.6	13¾– 6⅞	9½	10.03	0.9	0.59	16	0.80	8.4
868	821	Singer	–13.7	24⅝– 6¼	17⅜	17.49	1.0	–1.25	def	0.10	0.6
869	888	Cleveland Elec Illum	–14.0	22¾– 13½	19⅛	19.63	1.0	3.06	6	2.28	11.9
869	869	Sperry	–14.0	65⅝– 20½	31⅜	55.51	0.6	3.69	9	1.92	6.1
871	933	Kellwood	–15.1	23½– 8⅛	19¾	24.28	0.8	2.59	8	0.40	2.0
872	833	Public Service Colo	–15.2	18⅞– 11⅛	16	16.22	1.0	2.11	8	1.76	11.0
873	890	Commonwealth Edison	–15.6	29⅛– 16¼	24⅜	26.45	0.9	3.65	7	2.80	11.5
874	659	Occidental Petroleum	–15.6	39⅛– 14⅞	19⅝	28.68	0.7	2.59	8	2.50	12.7

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. ‡‡Three-year price change. NM: not meaningful. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
82	81										
875	897	Duquesne Light	–16.3%	19½– 11⅜	16	$16.77	1.0	$1.95	8	$1.90	11.9%
876	799	Northwestern Steel	–16.4	38¾– 14⅞	21¾	33.10	0.7	–3.10	def	0.80	3.7
877	820	Phila Electric	–16.6	19¾– 11⅛	16⅜	18.10	0.9	2.39	7	2.12	12.9
878	891	Louisville Gas & Elec	–16.8	25¼– 14½	21	23.02	0.9	2.43	9	2.30	11.0
879	584	Allied Corp	–17.0	61¾– 27⅝	36¾	57.34	0.6	6.63	6	2.40	6.5
880	852	Illinois Power	–17.0	26⅝– 15⅝	22	21.36	1.0	3.09	7	2.48	11.3
881	567	Michigan National	–17.1	21¼– 10	15¾	32.62	0.5	0.11	NM	1.20	7.6
882	911	Xerox	–17.4	71¾– 27⅛	38⅝	44.11	0.9	5.70	7	3.00	7.8
883	493	Continental Illinois	–17.5	42⅜– 15⅛	22⅜	43.20	0.5	2.72	8	2.00	8.9
884	708	Edward Hines Lumber	–17.9	27¾– 12	15½	40.95	0.4	–18.17	def	none	0.0
885	*	Cross & Trecker	–17.9‡‡	41¾– 9½	18⅛	15.17	1.2	3.13	6	0.80	4.4
886	961	Georgia-Pacific	–18.1	34⅞– 13¼	23¼	20.20	1.2	1.11	21	0.60	2.6
887	813	Detroit Edison	–18.9	16⅞– 10	13⅜	17.39	0.8	1.66	8	1.68	12.6
888	917	Clark Equipment	–19.4	45 – 18	27	48.24	0.6	–13.05	def	1.10	4.1
889	804	St Regis Paper	–19.5	42½– 17½	24¾	42.59	0.6	3.51	7	1.12	4.5
890	953	Liquid Air	–19.6	34½– 14½	20½	21.58	0.9	2.30	9	1.60	7.8
891	741	American Can	–19.7	45¼– 25¾	31⅛	53.79	0.6	–6.89	def	2.90	9.3
892	932	Reynolds Metals	–19.7	40⅞– 18¾	26	68.08	0.4	–1.40	def	1.00	3.8
893	524	Am Natural Resources	–19.8†	56½– 25¼	36½	35.33	1.0	7.65	5	3.00	8.2
893	737	Ideal Basic Inds	–19.8	36¼– 11¾	18¼	28.96	0.6	–1.18	def	0.60	3.3
895	920	Crown Zellerbach	–19.9	62¾– 15¼	27¼	41.43	0.7	1.81	15	1.00	3.7
896	866	Eagle-Picher Inds	–20.0	25⅝– 9⅝	15	22.29	0.7	1.22	12	0.96	6.4
896	718	H K Porter	–20.0	75 – 48	48	129.98	0.4	2.53	19	1.00	2.1
896	912	Portland Genl Elec	–20.0	20⅜– 10¾	15½	17.63	0.9	3.09	5	1.74	11.2
899	670	Dayco	–20.1	17⅜– 6¼	9¾	22.93	0.4	0.30	33	0.16	1.6
900	914	Toledo Edison	–20.4	25½– 15	20	23.50	0.9	3.16	6	2.36	11.8
901	836	DEKALB AgResearch	–21.5	60¼– 12¼	15½	28.40	0.5	1.46	11	0.72	4.6
902	996	Chrysler	–21.8	13¾– 3	9⅞	–8.61	NE	1.07	9	none	0.0
903	559	Data General	–21.8	87⅜– 20¼	39¾	36.42	1.1	1.83	22	none	0.0
904	706	American Bakeries	–22.0	18⅛– 8	10⅛	16.76	0.6	–2.05	def	none	0.0
905	819	Consumers Power	–22.3	25¼– 15⅜	18¾	27.78	0.7	3.19	6	2.44	13.0
906	721	Amerace	–22.7	32¼– 14⅛	17	34.63	0.5	0.85	20	1.32	7.8
907	896	Emery Air Freight	–22.8	28¾– 7	15⅞	4.97	3.2	0.71	22	0.50	3.1
908	730	Caterpillar Tractor	–23.0	73¼– 33⅛	42¼	42.36	1.0	1.45	29	1.50	3.6
909	930	Ohio Edison	–23.1	19¾– 10¼	15	15.94	0.9	2.11	7	1.76	11.7
909	810	Del E Webb	–23.1	38 – 4⅞	10	13.25	0.8	–0.32	def	none	0.0
911	657	Lukens	–23.2	19 – 8¾	11	27.37	0.4	0.90	12	0.72	6.5
912	788	Pennwalt	–23.2	42½– 21½	29¾	37.32	0.8	2.96	10	2.20	7.4
913	442	Kaiser Steel	–23.4	50¾– 13¾	17⅝	34.63	0.5	0.62	28	none	0.0
914	880	Research-Cottrell	–23.6	26⅝– 9¾	15¾	21.15	0.7	2.40	7	0.32	2.0
915	963	Certain-teed	–23.8	24⅞– 10	18	19.71	0.9	–1.53	def	none	0.0
916	448	Seafirst	–24.5	33½– 12½	17⅞	35.51	0.5	–0.61	def	1.44	8.1
917	881	Cincinnati G & E	–24.9	23⅝– 14	17⅜	19.68	0.9	2.55	7	2.16	12.4
918	916	Koppers	–25.3	35¼– 11¼	17	23.11	0.7	0.79	22	1.40	8.2
919	775	Amer Hoist & Derrick	–25.5	26½– 8¾	13⅞	30.66	0.5	–0.04	def	none	0.0
920	901	American Elec Power	–25.6	24½– 15¼	18⅛	20.42	0.9	2.15	8	2.26	12.5
921	815	Republic Steel	–25.8	32⅛– 14⅞	16½	102.64	0.2	–9.99	def	0.50	3.0
922	979	Yellow Freight System	–26.4	33½– 10⅞	20¼	15.68	1.3	0.96	21	0.84	4.1
923	878	Ingersoll-Rand	–27.9	80 – 35½	41⅜	60.74	0.7	5.65	7	2.60	6.3
924	981	Bird & Son	–27.9	25⅞– 4⅝	14⅛	18.04	0.8	–5.20	def	none	0.0
925	931	Bucyrus-Erie	–28.5	27½– 10¼	15⅜	19.68	0.8	1.29	12	0.88	5.7
926	814	Diamond Shamrock	–29.1	39⅝– 16½	21	20.68	1.0	2.60	8	1.76	8.4
927	898	Graniteville	–30.1	17¼– 8½	9⅞	23.35	0.4	–1.85	def	none	0.0
928	796	A O Smith	–30.6	24⅞– 7⅜	9⅝	43.07	0.2	–2.98	def	none	0.0
929	982	Ford Motor	–31.7	51⅞– 15¾	31¼	61.11	0.5	–6.38	def	none	0.0
930	929	Revlon	–33.1	59 – 22⅞	29½	29.37	1.0	2.97	10	1.84	6.2
931	539	Chromalloy American	–33.9	28¼– 7¼	10¼	21.47	0.5	–2.17	def	none	0.0
932	659	Nashua	–34.4	38 – 8½	13¾	31.08	0.4	–0.95	def	0.40	3.0
933	757	Rexnord	–34.5	21¼– 8½	11⅜	18.88	0.6	0.51	22	0.40	3.5
934	939	No Indiana Pub Svc	–34.6	19¼– 10	12½	16.05	0.8	0.81	15	1.50	12.0
935	588	Dravo	–35.1	33⅛– 9¼	12⅛	18.91	0.6	0.40	30	0.50	4.1
936	488	Marion	–35.4	16½– 2⅞	3⅛	5.70	0.5	–0.94	def	none	0.0
937	398	McDermott	–35.8	46⅝– 14¾	18⅛	32.21	0.6	4.19	4	1.80	9.9
938	969	Inland Steel	–36.0	41⅞– 18⅛	24⅝	61.35	0.4	–4.42	def	0.50	2.0

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. ‡‡Three-year price change. †Price change does not reflect the value of shares received in spinoff. NM: not meaningful.
NE: negative equity. def: deficit.

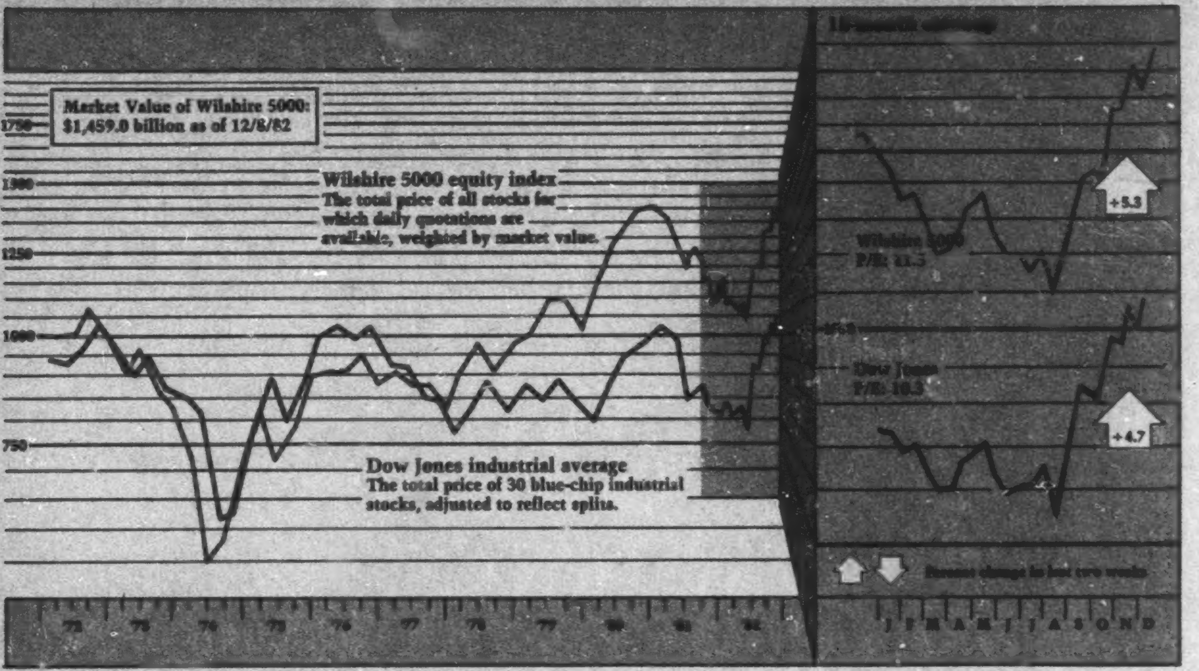
Who's where in the stock market

Rank		Company	5-year price change	1978-82 price range	Recent price	Book value (per share)	Recent price/ book value	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
82	81										
939	926	United States Steel	–36.1%	35¼– 16	20⅛	$69.11	0.3	$1.06	19	$1.00	5.0%
940	830	Castle & Cooke	–37.1	19½– 6⅞	9	16.02	0.6	–2.09	def	none	0.0
941	872	Pittston	–38.2	34¾– 11⅞	14⅜	17.67	0.8	1.36	11	0.60	4.2
942	977	Talley Industries	–39.3	15⅝– 3⅜	6¾	11.27	0.6	–1.65	def	none	0.0
943	892	MAPCO	–39.4	51⅞– 20½	24	20.20	1.2	3.08	8	1.80	7.5
944	935	Pan Am World Airways	–40.0	10¾– 2⅜	3	11.05	0.3	–5.13	def	none	0.0
945	983	Burroughs	–41.0	88 – 27⅛	43	51.88	0.8	3.88	11	2.60	6.0
946	641	Raymond Intl	–41.1	36 – 9⅝	13⅜	24.39	0.6	2.23	6	1.00	7.3
947	927	Chic Pneumatic Tool	–41.3	34⅞– 10⅞	14⅜	31.99	0.4	–1.17	def	none	0.0
948	915	Avon Products	–42.3	63 – 19⅝	27⅝	15.51	1.8	2.94	9	2.00	7.2
949	857	UMC Industries	–43.9	22⅜– 7⅜	9¾	16.98	0.6	1.12	9	0.60	6.2
950	909	Colonial Penn Group	–44.0	38 – 11¼	17	18.83	0.9	1.55	11	1.40	8.2
951	935	Western Air Lines	–44.3	14⅝– 3⅜	4¼	7.59	0.6	–4.81	def	none	0.0
952	913	General Refractories	–45.2	14 – 2⅜	4¼	22.03	0.2	–5.90	def	none	0.0
953	974	Inco	–46.7	33¼– 7⅞	9⅛	16.53	0.6	–2.70	def	0.20	2.2
954	954	National Steel	–47.3	35¾– 13⅞	17⅛	79.57	0.2	–9.07	def	1.00	5.8
955	771	National-Standard	–48.6	23⅞– 7½	9⅛	26.11	0.3	–2.81	def	none	0.0
956	646	Tiger International	–48.9	34⅝– 4⅝	8⅜	24.76	0.3	–4.15	def	none	0.0
957	361	Evans Products	–48.9	26½– 4⅞	8¾	23.00	0.4	–2.45	def	none	0.0
958	648	Savin	–49.6	24¾– 4⅝	7⅝	5.30	1.5	–4.51	def	none	0.0
959	921	Hanna Mining	–51.8	44⅜– 16½	18⅛	49.22	0.4	–1.15	def	1.40	7.7
960	886	Harnischfeger	–53.3	26 – 6¼	8	21.91	0.4	–1.61	def	none	0.0
961	745	Pettibone	–55.2	29¼– 8¼	8¼	34.36	0.2	–5.95	def	none	0.0
962	374	Revere Copper	–56.6	25⅜– 4¾	5¾	33.17	0.2	–8.40	def	none	0.0
963	952	Allis-Chalmers	–63.1	38⅝– 6¼	9⅛	44.59	0.2	–9.16	def	none	0.0
964	987	Rath Packing	–64.8	8¼– ¼	1¼	–2.13	NE	–5.97	def	none	0.0
965	976	Westmoreland Coal	–65.1	42½– 14	15	23.97	0.6	2.06	7	none	0.0
966	995	First Pennsylvania	–69.4	17⅞– 2⅜	5⅛	13.56	0.4	–1.68	def	none	0.0
967	984	General Public Utils	–71.9	21⅛– 3⅜	5⅞	22.83	0.3	0.54	11	none	0.0
967	835	Wickes Cos	–71.9	19½– 2	4¾	2.04	2.3	–15.28	def	none	0.0
969	998	Commonwealth Oil Rfg	–73.7	19⅜– ⅛	⅝	–3.96	NE	–1.42	def	none	0.0
970	968	Manville	–75.4	34¾– 4¼	8	38.36	0.2	–0.25	def	none	0.0
971	989	AM International	–81.9	32⅞– ¾	2⅞	–8.20	NE	–8.11	def	none	0.0
972	994	Intl Harvester	–84.7	45½– 2¾	4⅝	39.51	0.1	–30.01	def	none	0.0
973	999	Massey-Ferguson	–85.3	14⅝– 1⅝	2⅛	0.32	6.6	–8.64	def	none	0.0
974	997	Sambo's Restaurants	–88.8	21¾– ⅝	1⅜	–0.19	NE	–5.93	def	none	0.0
975	992	Braniff Intl	–89.0	18⅝– ⅛	1⅛	–4.72	NE	–8.86	def	none	0.0
976	980	KDT Industries	–92.4	18 – ¾	1	4.96	0.2	–11.34	def	none	0.0
**	*	Apple Computer		36 – 10¾	31⅜	3.21	9.8	1.06	30	none	0.0
**	*	Bruno's		28¼– 7⅜	27	4.95	5.5	1.58	17	0.40	1.5
**	*	CIGNA		55⅜– 31	48¼	55.80	0.9	10.79	4	2.30	4.8
**	*	Consol Petroleum		12¼– ½	⅜	2.20	0.2	–0.26	def	none	0.0
**	*	CSX		60½– 36¼	54¼	75.93	0.7	7.18	8	2.84	5.2
**	*	Dart & Kraft		71⅜– 39⅜	68¼	49.81	1.4	4.47	15	3.60	5.3
**	*	Dillingham		22⅜– 9⅞	22¼	22.92	1.0	1.90	12	0.70	3.1
**	*	Engelhard		32⅜– 17	28¼	14.01	2.0	2.45	12	0.56	2.0
**	*	L B Foster		18 – 3½	5¼	8.31	0.6	0.52	10	0.10	1.9
**	*	Geo International		46½– 7½	11⅝	11.92	1.0	1.47	8	0.24	2.1
**	580	Imperial Corp of Am		16 – 4¾	15⅛	19.61	0.8	–4.13	def	none	0.0
**	427	Masonite		42⅜– 17¾	42	43.61	1.0	–1.34	def	1.32	3.1
**	*	MGM Grand Hotels		17⅜– 5½	7⅜	5.07	1.5	0.61	12	0.44	6.0
**	*	MGM/UA Entertainment		12⅞– 5	6¾	5.61	1.2	0.55	12	0.20	3.0
**	*	Midcon		32½– 19⅜	25¾	31.53	0.8	4.50	6	2.08	8.1
**	*	Nabisco Brands		42¾– 25⅛	38⅝	23.94	1.6	4.65	8	2.05	5.3
**	*	NIKE		54¼– 17¼	45¾	7.53	6.1	3.09	15	none	0.0
**	*	Norfolk Southern		65 – 40⅛	55⅜	51.57	1.1	7.62	7	2.80	5.0
**	*	Peabody Intl		8⅞– 4⅜	7½	11.26	0.7	0.21	36	0.16	2.1
**	*	Peoples Energy		10⅞– 7	10⅜	10.30	1.0	1.54	7	1.00	9.6
**	*	Phibro-Salomon		60⅞– 20⅛	56⅝	21.69	2.6	4.72	12	0.94	1.7
**	*	Primark		29¼– 21	26¼	51.24	0.5	2.82	9	2.40	9.0
**	*	Richardson-Vicks		34¾– 20½	31⅜	20.55	1.5	2.67	12	1.48	4.7
**	217	RLC		10⅛– 5¾	8⅞	7.72	1.1	0.51	17	0.20	2.3
**	*	Swift Independent		28⅞– 8¾	26⅜	14.51	1.8	5.51	5	1.04	3.9
**	*	Wilson Foods		9⅝– 4⅛	8¼	14.26	0.6	2.55	3	none	0.0

Note: Except as footnoted, price changes are measured from Dec. 30, 1977 to Nov. 17, 1982. For comparison, the five-year change in the Consumer Price Index was 58%.

*Not ranked last year. **Not ranked due to merger, spinoff or new issue. NE: negative equity. def: deficit.

The Forbes/Wilshire 5000 Review



Neither rain nor hail.... not even early reports of a weak Christmas season or continued discouraging figures from Washington were enough to cause more than momentary pauses in the market over the past two weeks. But general reports that the renewed market strength was primarily institutions buying blue chips are partly contradicted by the comparative indexes followed by FORBES.

True, the blue chips performed well in the period, as tracked through the 30 Dow Jones industrials, which were up 4.7% over the last two weeks. But the broader indexes such as the Wilshire 5000 and the NYSE index outperformed the Dow. And the strongest performer, up 6.1%, was the group traded on the NASDAQ exchange.

This does not necessarily mean that stocks of little companies led the pack. The o-t-c market has homegrown some sizable companies, particularly in the area of technology, including MCI Communications and Apple Computer, and these were among the biggest gainers. The Amex, also considered a gauge for little stocks, underperformed the others with only a 3.2% climb, but the Amex is heavy with oil production and service stocks, which generally did poorly during the latest period.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones Industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	8.6	9.0	8.2	8.4	-0.[illegible]	4.5
in last 52 weeks	11.8	NA	17.9	12.4	4.5	21.4

Stock performance based on five key investor yardsticks

Percent change	Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	5.8	2.0	4.5	6.3	0.3	7.4	5.4	1.5	3.3	6.1
in last 52 weeks	36.4	23.5	17.6	47.9	20.9	50.9	41.6	26.4	17.9	30.9

NA: Not available.

[1] Based on sales.

[2] A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.

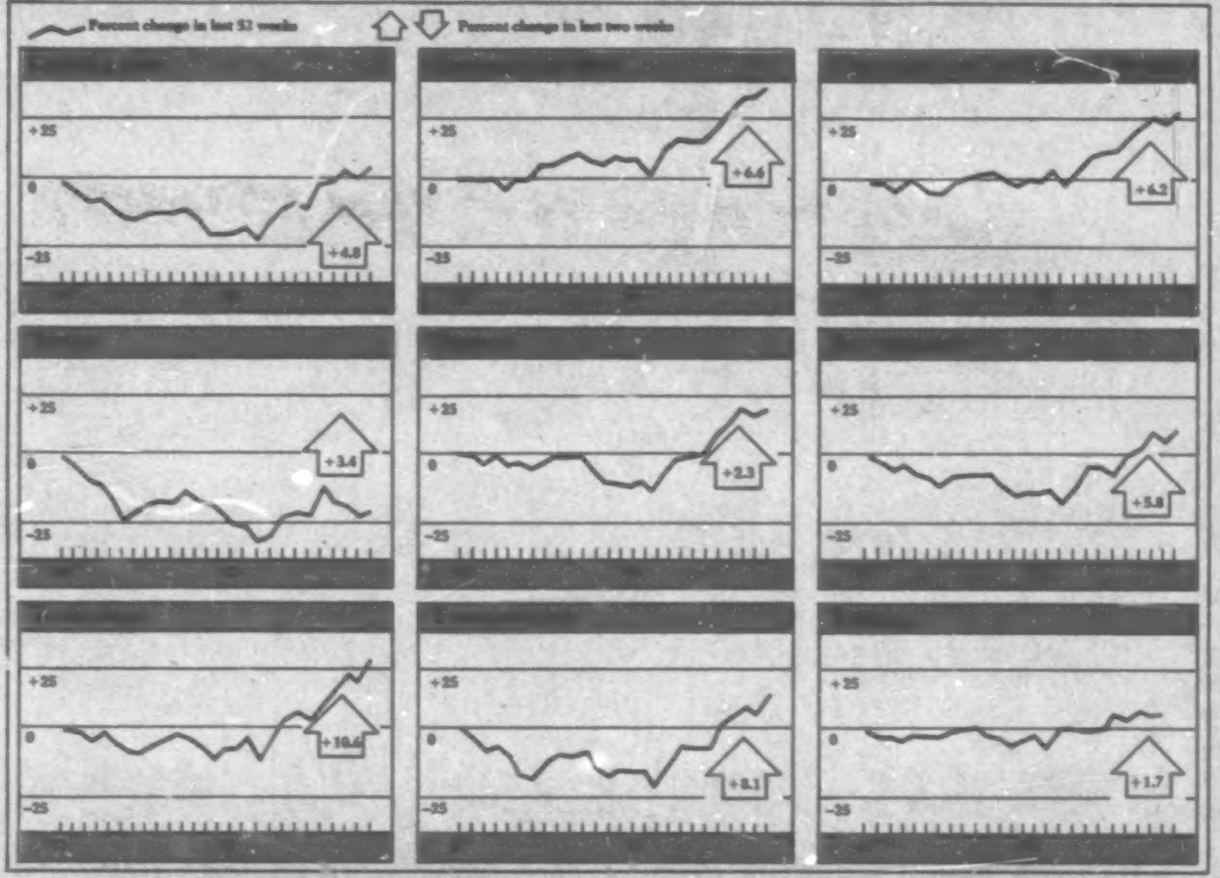
[3] A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 12/8/82. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

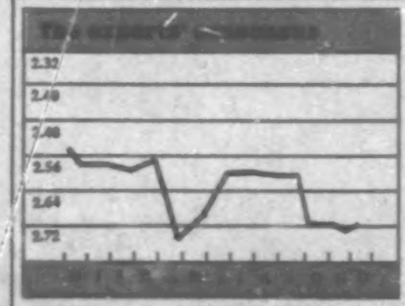
Turning up the computer. Investors decided over the past two weeks to turn down the lights (utility stocks barely moved in the most recent rally) and turn up their computers—the technology sector climbed a healthy 10.6%. Reports that the Christmas season was even weaker than expected in many parts of the country hurt some consumer nondurable stocks, and computer games were kicked around after Warner Communications and Mattel tied a downsizing of projected 1982 earnings to reduced Christmas cheer.

A run on the airlines—tied to reduced fuel costs and declining likelihood of fare wars—sent those stocks up in several spurts, which produced a strong gain for the transportation sector as well.



What The Analysts Think

Energy speculation? Energy stocks, which have only mildly excited the analysts in the past few reports, suddenly jumped to second favorite, topped only by technology. There's possible takeover speculation about companies like Mesa and Kerr-McGee, some theorize. Meanwhile, consumer durables are still solidly in last place.



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Technology	2.50	1	1
2	Energy	2.67	5	4
3	Capital goods	2.67	2	2
4	Utilities	2.70	3	3
5	Transportation	2.76	7	7
6	Finance	2.79	6	5
7	Raw materials	2.82	8	8
8	Consumer non-durables	2.86	4	6
9	Consumer durables	2.99	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 12/8/82. Prepared by Wilshire Associates, Santa Monica, Calif.